DOCUMENT RESUME

ED 235 589 EA 016 154

AUTHOR Odden, Allan; And Others
TITLE School Finance Reform in the States: 1983.
INSTITUTION Education Commission of the States, Denver, Colo. Education Finance Center.
SPONS AGENCY Department of Education, Washington, DC.; Ford Foundation, New York, N.Y.
REPORT NO ECS-R-F83-1
PUB DATE Jan 83
CONTRACT 400-82-0020
NOTE 47p.
AVAILABLE FROM Distribution Center, Education Commission of the States, Suite 300, 1860 Lincoln Street, Denver, CO 80295 ($5.00).
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Court Litigation; *Educational Equity (Finance); Educational Trends; Elementary Secondary Education; Equal Education; *Finance Reform; Higher Education; Public Opinion; *Retrenchment; School Statistics; *School Support; State Aid; State Courts; *State Legislation
IDENTIFIERS Rodriguez v San Antonio Independent School Dist

ABSTRACT

Emphasizing the diminished resources of the 1980's, this report offers an overview of the varied experiences of the states in dealing with school finance issues. Although basic inequities in educational services remain, the states' generally poor fiscal condition has resulted in less attention for equity issues. However, public school financing has matured as a prominent state policy issue. A summary of school finance reforms in the last 12 years notes significant progress in the 1970's in expanded general aid, increased equity, better measure of fiscal capacity, and more money for districts and students with special needs. New tax and spending limitations have raised questions about current arrangements for tax collection and distribution, and school finance litigation continues in many states despite the "Rodriguez" decision. The economic, demographic, and political contexts of educational finance is illustrated by tables on the states' fiscal condition, enrollment trends and projections, funding prospects, public opinion, and revenues and expenditures for public education. A chapter on legislative agendas for 1983 highlights major activities in each state, and a final chapter on school finance litigation discusses litigation strategies based on equal protection clauses and on state education clauses and the standards that have evolved to determine the constitutionality of finance systems. A table summarizes states' most important school finance cases. (MJL)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED235589

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

S. V. Allen

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

EA 016 153

School Finance Reform in the States: 1983

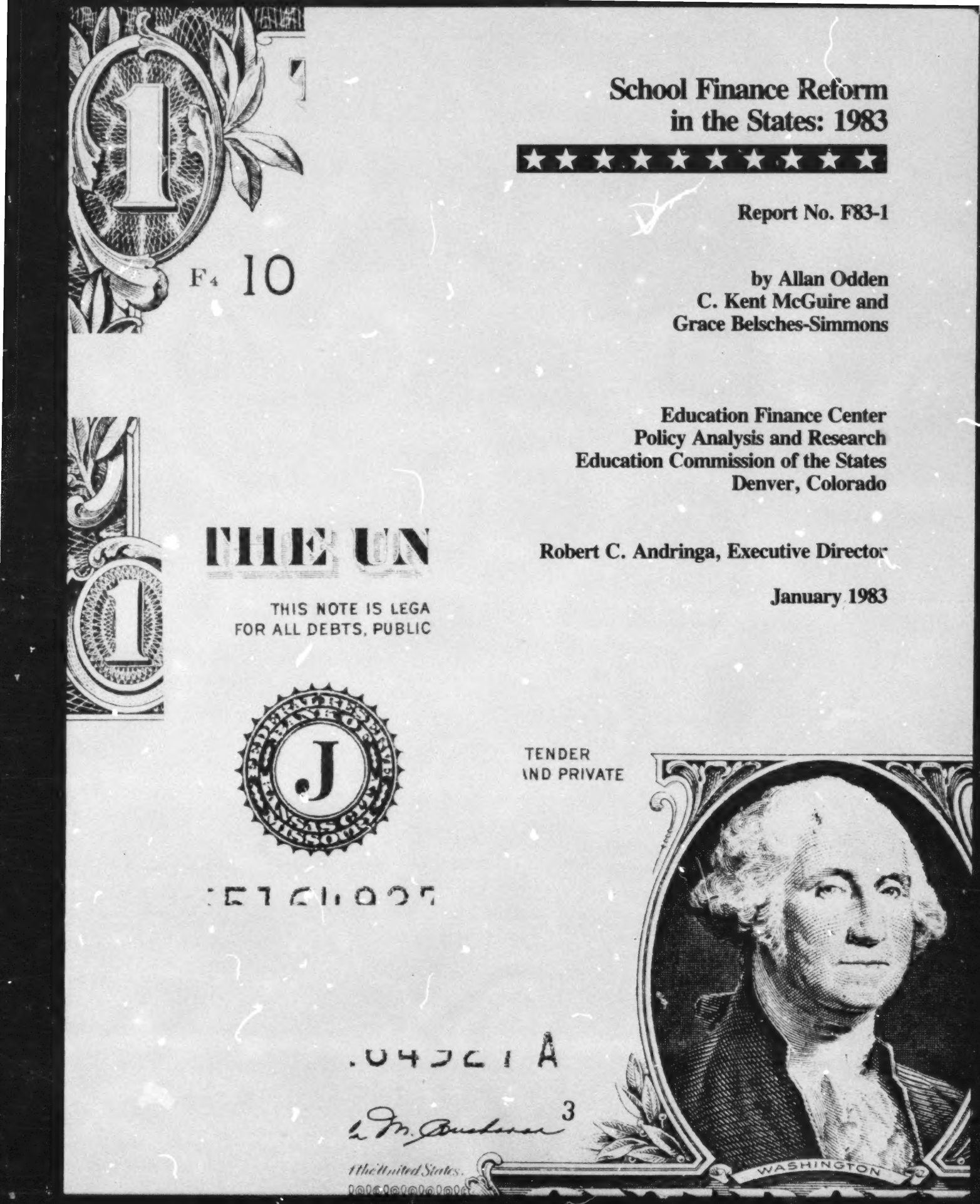
Report No. F83-1

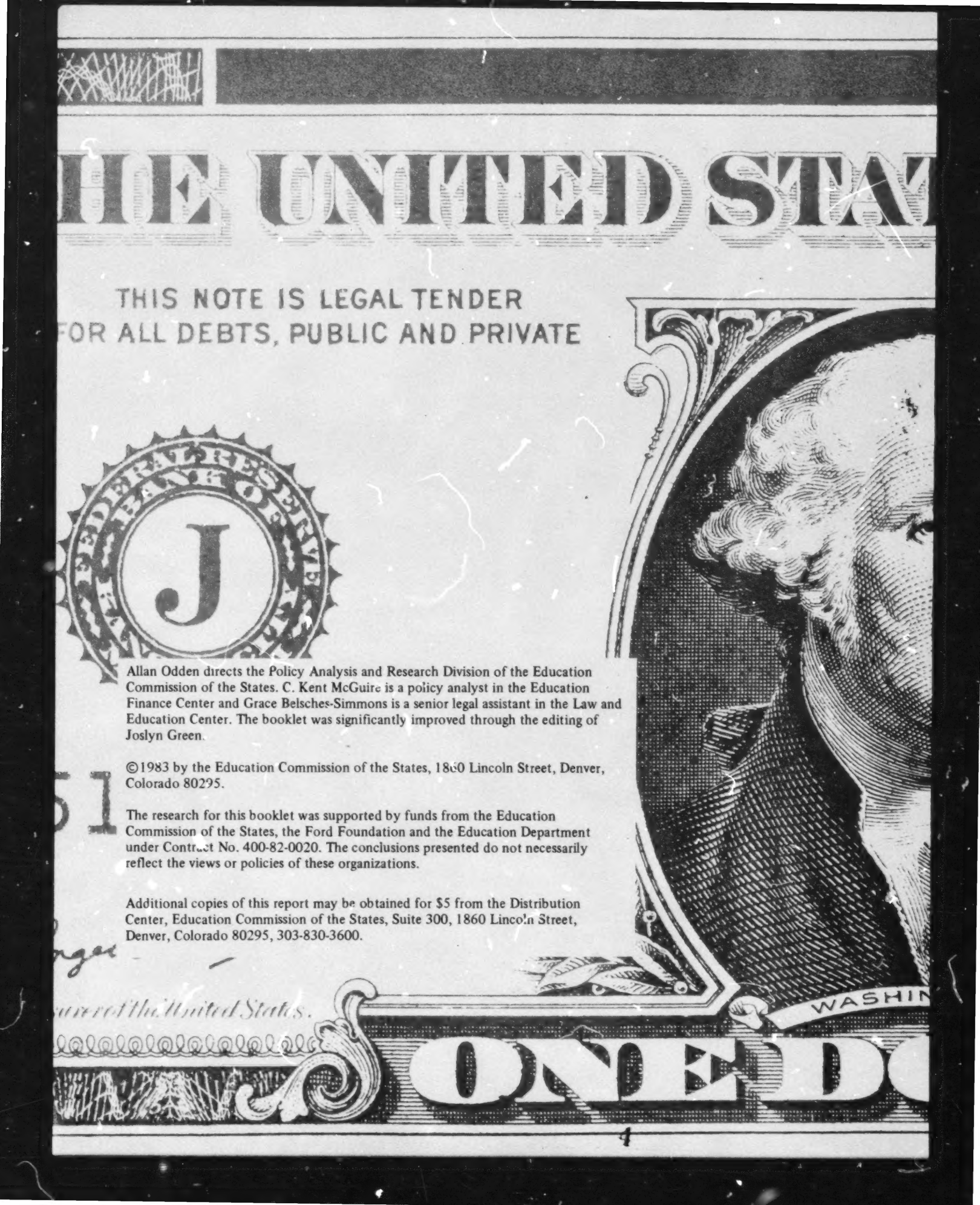
by Allan Odden
C. Kent McGuire and
Grace Belsches-Simmons

Education Finance Center
Policy Analysis and Research
Education Commission of the States
Denver, Colorado

Robert C. Andringa, Executive Director

January 1983





Allan Odden directs the Policy Analysis and Research Division of the Education Commission of the States. C. Kent McGuire is a policy analyst in the Education Finance Center and Grace Belsches-Simmons is a senior legal assistant in the Law and Education Center. The booklet was significantly improved through the editing of Joslyn Green.

©1983 by the Education Commission of the States, 1860 Lincoln Street, Denver, Colorado 80295.

The research for this booklet was supported by funds from the Education Commission of the States, the Ford Foundation and the Education Department under Contract No. 400-82-0020. The conclusions presented do not necessarily reflect the views or policies of these organizations.

Additional copies of this report may be obtained for $5 from the Distribution Center, Education Commission of the States, Suite 300, 1860 Lincoln Street, Denver, Colorado 80295, 303-830-3600.

Contents

Executive Summary 5

Introduction 6

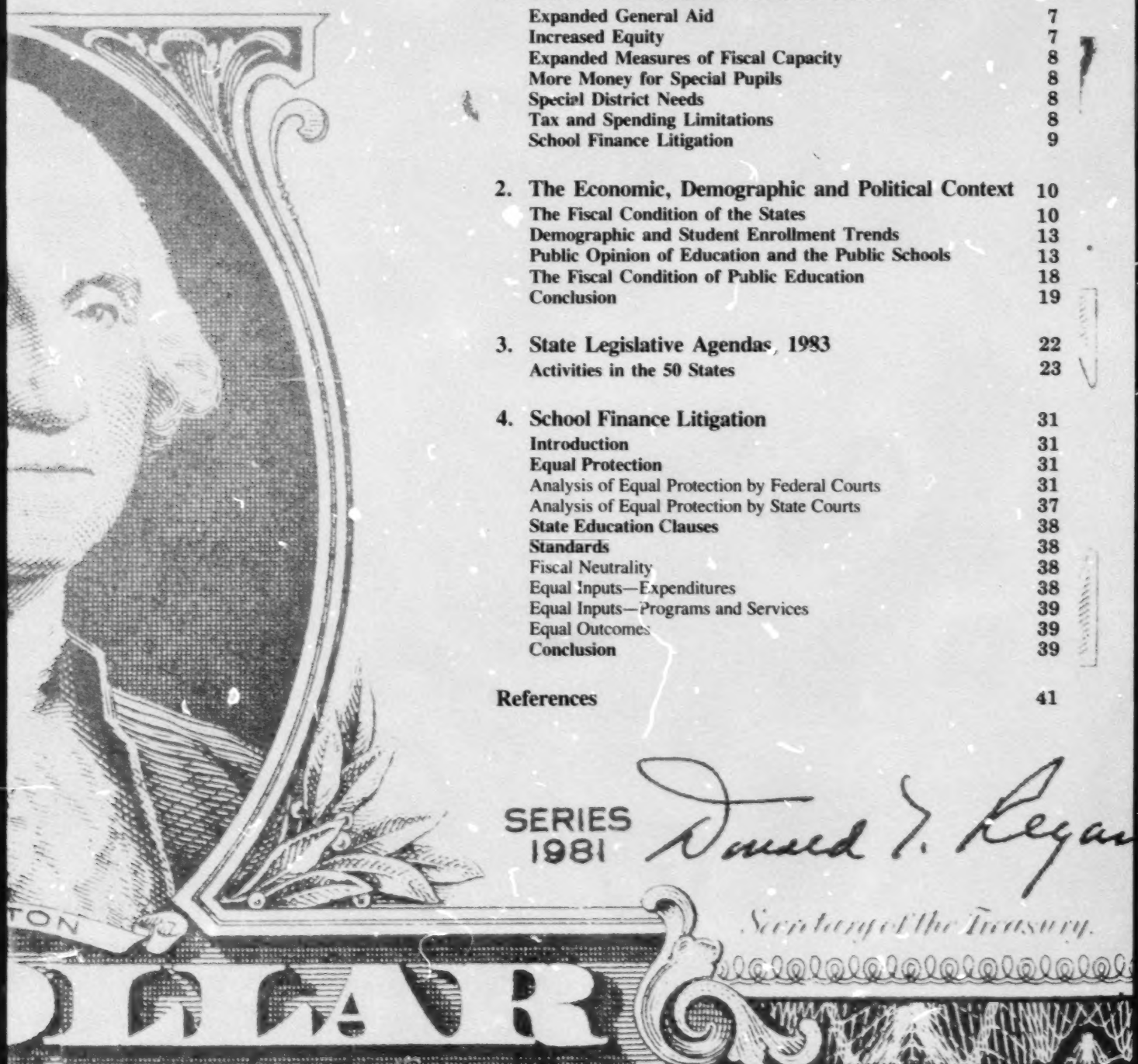
1. School Finance Reforms in the Past 12 Years 7
   - Expanded General Aid 7
   - Increased Equity 7
   - Expanded Measures of Fiscal Capacity 8
   - More Money for Special Pupils 8
   - Special District Needs 8
   - Tax and Spending Limitations 8
   - School Finance Litigation 9

2. The Economic, Demographic and Political Context 10
   - The Fiscal Condition of the States 10
   - Demographic and Student Enrollment Trends 13
   - Public Opinion of Education and the Public Schools 13
   - The Fiscal Condition of Public Education 18
   - Conclusion 19

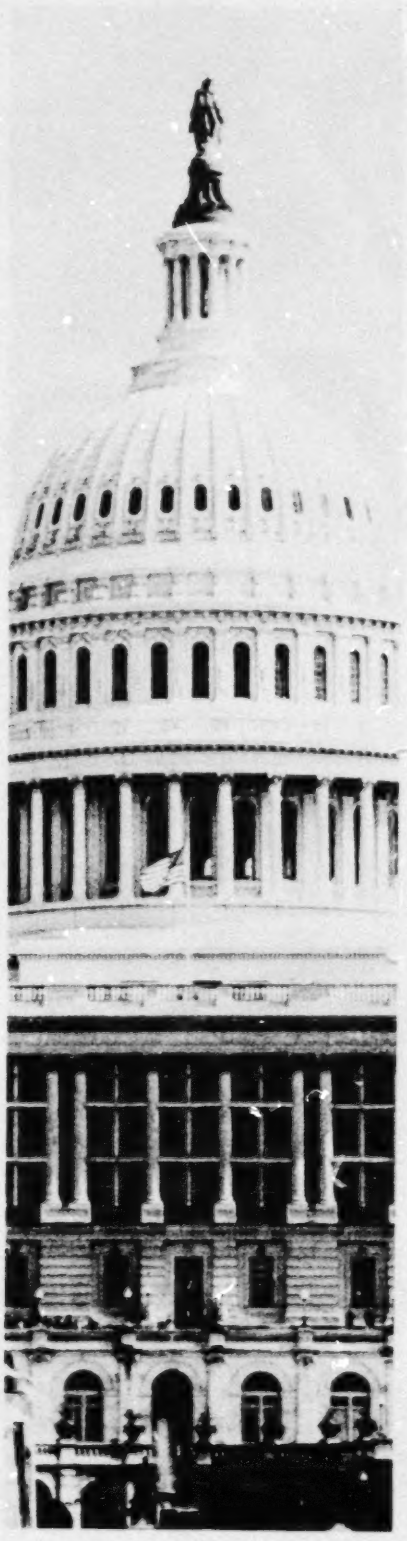
3. State Legislative Agendas, 1983 22
   - Activities in the 50 States 23

4. School Finance Litigation 31
   - Introduction 31
   - Equal Protection 31
   - Analysis of Equal Protection by Federal Courts 31
   - Analysis of Equal Protection by State Courts 37
   - State Education Clauses 38
   - Standards 38
   - Fiscal Neutrality 38
   - Equal Inputs—Expenditures 38
   - Equal Inputs—Programs and Services 39
   - Equal Outcomes 39
   - Conclusion 39

References 41



Executive Summary



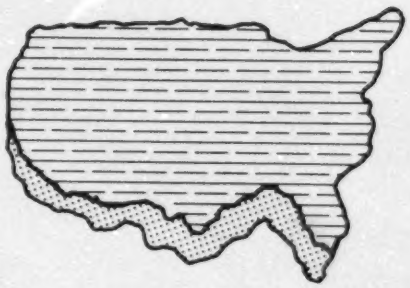
Three years into the 1980s, it is clear that school finance issues are likely to differ somewhat from those of the 1970s. Public opinion of the schools is on the rise and real resources for education have declined, reversing two trends of the 1970s. The poor fiscal situation of most states, unprecedented in the 1970s, has meant that equity issues and others are in many places receiving less attention than they have in the past.

But the basic equity issues themselves remain. The quantity and quality of education services still vary widely in most states, and the differences in services tend to reflect differences in local wealth. Progress was made throughout the 1970s toward diminishing inequities; continued progress is needed in the 1980s.

The fiscal condition of the states is, on the whole, bad. The tax cut movement that began at the local and state level in the mid-seventies and the current recession have reduced state revenues and, in many states, the dollars budgeted for education. Even when the economy begins to improve, the fiscal expansion of the seventies will not be matched. Overall, the public sector has stopped growing. Funding for education in the eighties will be, at best, stable in terms of real resources. The challenge will be to do more with the same, or with less – a tough assignment.

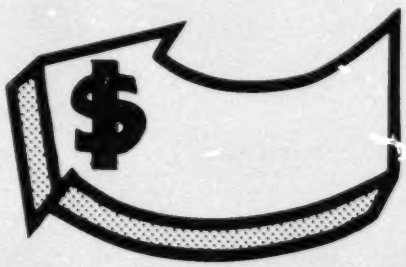
The challenge will be to do more with the same or with less.

State legislative agendas during 1983 will be significantly affected by the fiscal condition of the states. The key issue in school finance in most



legislatures will be how to maintain current levels of support for education. Policy makers nonetheless continue their attempts to improve state aid systems in response to new problems, so a number of states will consider proposals in the areas of capital outlay, programs for special students, teacher salaries and transportation. Studies of school finance systems or of issues related to school finance have been initiated or completed in at least 12 states. Numerous recommendations for modifying funding mechanisms are sure to find their way into legislative debates.

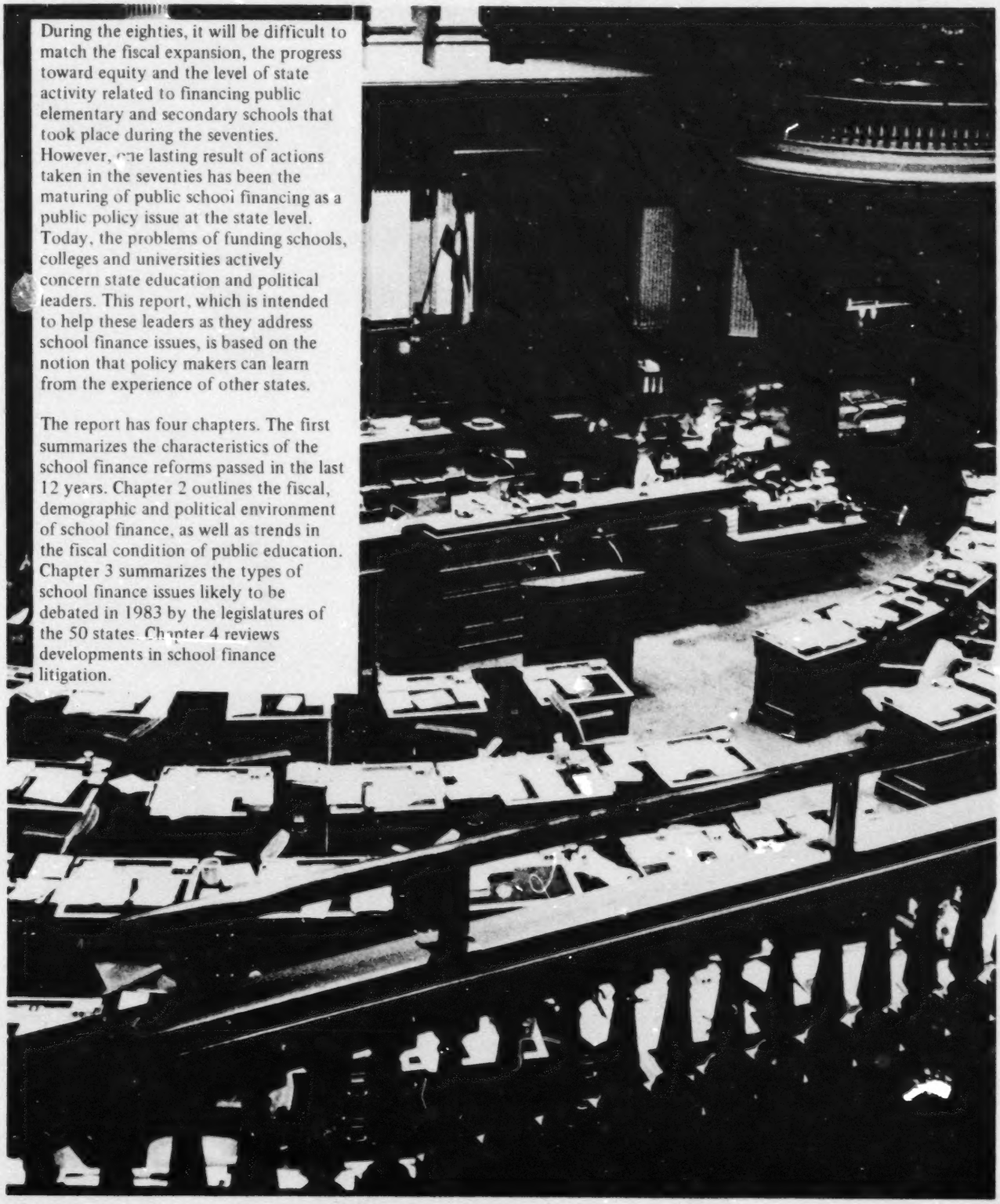
Perhaps reflecting poor state fiscal health, the most recent decisions by state supreme courts in Colorado, Georgia and New York have upheld systems of school finance while pointing out their many inequities. On the other hand, lower courts in Maryland and West Virginia overturned financing systems. In West Virginia, a very detailed decision based on that state's "thorough and efficient" clause stipulated standards for nearly all education programs. (The state board and the governor have decided not to appeal the decision.) All in all, the level of activity in school finance litigation remains high.



Introduction

During the eighties, it will be difficult to match the fiscal expansion, the progress toward equity and the level of state activity related to financing public elementary and secondary schools that took place during the seventies. However, one lasting result of actions taken in the seventies has been the maturing of public school financing as a public policy issue at the state level. Today, the problems of funding schools, colleges and universities actively concern state education and political leaders. This report, which is intended to help these leaders as they address school finance issues, is based on the notion that policy makers can learn from the experience of other states.

The report has four chapters. The first summarizes the characteristics of the school finance reforms passed in the last 12 years. Chapter 2 outlines the fiscal, demographic and political environment of school finance, as well as trends in the fiscal condition of public education. Chapter 3 summarizes the types of school finance issues likely to be debated in 1983 by the legislatures of the 50 states. Chapter 4 reviews developments in school finance litigation.



1. School Finance Reforms in the Past 12 Years

The growth of governmental expenditures at all levels in the United States has leveled off at about one-third of the gross national product. The current recession has produced a shortage of revenues for all governments. The finance issue of the day is, simply, money – finding enough money to balance budgets. In this time of too little money, substantive issues recede to the background.

Fiscal austerity is a temporary condition, however. The economy will recover at some time, and the issue of equity in school finance will not go away. Progress has been made, but in most states today there are still wide variations in educational spending per child, variations that relate to local wealth and reflect differences in the level and quality of services. Studies of effective teaching and effective schools indicate that, at least at the margin, quality can be improved in all districts. But wealth-related disparities in programs and services present a situation that is unfair – to students and taxpayers – and also inefficient.

The school finance reform movement of the seventies addressed the problem of equity, and significant progress was made. Into the eighties, the pace of progress is different and the issues more comprehensive as equity becomes more clearly linked to quality improvement. The numerous and diverse school finance reforms enacted during the past 12 years have six basic characteristics.

Expanded General Aid

As a result of stronger general-aid formulas, state funding has consistently risen. In nearly every instance of school finance reform, states increased not only the total dollars they allocated for elementary/secondary education but also the percent of public school revenues coming from state sources. School finance reform has brought increased state support of public schools that has benefited all students.

General aid programs have been broadened and strengthened usually by "leveling up" less wealthy or lower-spending districts rather than by redistributing funds from rich to poor districts. Districts low in property wealth per pupil have usually become eligible for much more state aid than richer districts. Recapture provisions that redistribute local funds from the rich to the poor have not proved popular, and they now exist only in Montana, Utah and Wyoming.

Three types of formulas have been used to reach equalization goals. Some states have guaranteed a minimum level of per-pupil revenues, a foundation amount that each local district may supplement. The size of the supplement is often restricted by state law. Arizona, California, Florida, Illinois, Indiana, Iowa, Massachusetts, Minnesota, New Mexico, North Dakota, South Carolina, Tennessee and Washington have taken this general approach, although Washington is unique because the state fully funds basic education.

Other states have enacted formulas designed to reward equal local effort with equal revenues per pupil, an approach described variously as district power equalization, guaranteed tax base, guaranteed yield, resource equalizer or percentage equalizing. Under this type of system, Colorado, Connecticut, Kansas, Michigan, New Jersey and Wisconsin allocate state aid according to expenditure levels chosen by local districts. In some of these states there is a great deal of local control over annual changes in school district expenditures.

Several states have added power-equalizing components to higher-level foundation programs so that above a foundation expenditure level districts are guaranteed similar revenues per pupil at similar tax rates. Maine, Minnesota, Missouri, Montana, Texas and Utah have enacted this type of two-tiered equalization formula.

Increased Equity

Reforms have made school finance structures more equitable. School finance reforms of all types have reduced disparities in expenditures per pupil, and they have to an even greater extent reduced disparities in expenditures per pupil in wealthy and poor school districts (Odden and Augenblick, 1981). Although there had been concern that power equalization programs might not reduce disparities **per se**, overall results indicate progress on both fronts. It also appears that school finance reform states have made greater improvements to equity than other states (Berne and Stiefel, June 1979).

Expanded Measures of Fiscal Capacity

New methods have expanded the measure of fiscal capacity of local school districts beyond just property wealth per pupil. Connecticut, Kansas, Maryland, Missouri, Ohio, Pennsylvania, Rhode Island, Vermont and Virginia all combine property wealth and income in their school aid formulas. These expanded measurements of fiscal capacity have been supported by research findings in a number of states that show that property wealth, types of property (residential, commercial, industrial, etc.), and household income each have separate and independent impacts on school district spending decisions (Adams, January 1980).

Policy makers in many states are examining the potential for broadening sources of revenue available to local school systems. Income taxes are likely to be an important new source of revenue for education. A number of states currently return a portion of state income taxes to school districts in proportion to amounts collected. In this case, using an income factor or directly deducting such revenues from state school aid can improve equity. Local sales taxes are also being reviewed as potential revenue sources. In November 1982, Missouri voters by initiative increased the sales tax by one cent, earmarking half for educational spending and half for local property tax relief.

More Money for Special Pupils

States have dramatically expanded their role in providing high-cost programs for various types of special pupils, increasing the number of programs supported and also the level of support. Today, all states have comprehensive programs for providing services to students with physical or mental handicaps. These programs are buttressed by the federal Education for All Handicapped Children Law, P.L. 94-142, which requires all students to have a free and appropriate education program. By the late 1970s, the states were spending $3.7 million to serve 3.9 million handicapped students; the federal government provided $1 billion. Sixteen states had categorical programs of compensatory education serving 1.9 million students at a total cost of $647 million. Another 8 states weighted their general-aid formula to reflect the additional cost of providing compensatory education. These programs supplement the federal Elementary/Secondary Education Act Title I program funded at the $3.1 billion level. In 1981, 22 states also had programs of bilingual or bilingual/bicultural education serving nearly 660,000 students at a total cost of $94 million (McGuire, 1982). Current state fiscal problems have reduced the rate of increase in state funds for the handicapped, and reduced the number of dollars for state compensatory and bilingual education programs.

★ ★ ★

Special District Needs

States have taken additional steps to assist special sorts of school districts. They have allocated more aid to districts with very small numbers of students, poor districts with very high tax rates, overburdened urban districts that must pay high prices for educational resources, and districts with declining enrollments. Michigan, for example, allocates additional state aid to school districts in which the noneducation tax rate exceeds the statewide average by more than 25%. Florida uses a cost-of-living index to adjust state aid distributions to local school districts; Ohio uses a countywide index. Colorado, Kansas, Maine, Montana, Nebraska, New Mexico, Texas, Utah and other states use various mechanisms that recognize small numbers of students or rural isolation.

Tax and Spending Limitations

Nearly two-thirds of the states have directly incorporated tax and spending limitations into new school finance formulas or into revised rules and regulations. Although most of these measures contain emergency clauses or other mechanisms that permit some discretion in their application, most school districts in the country nevertheless have constraints on their ability to increase expenditures, budgets or property tax rates.

Some states are experiencing fiscal pressures, like California with Proposition 13 and the Gann spending limitation; Massachusetts with Proposition 2-1/2; Idaho with

Proposition 1; Colorado and New Jersey with caps on state spending; and Arizona, Michigan and Tennessee with increases in state spending tied to changes in personal income. States that have indexed their income taxes are likely to feel the impact on state revenues; California, Colorado and Minnesota, for example, have all lost significant revenues.

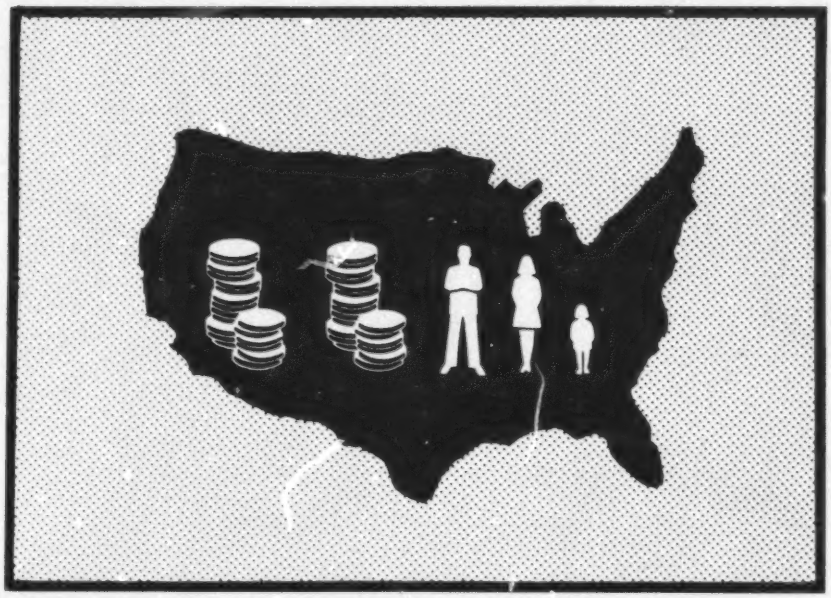
The continuing pressure in some states to reduce the reliance on property taxation is likely to lead to the need for new sources of revenue for school districts. Already many states are exploring the possibility of expanding the local tax base. In other states, however, there is at least some evidence that so-called "new" sources of revenue might actually be additional property taxes. These changes raise questions about the prevailing arrangements for tax collection and revenue distribution. Education finance will no doubt improve as we better understand the entire intergovernmental system by which public services are provided in this country.

School Finance Litigation

School finance litigation continues in many states. The 1973 U.S. Supreme Court decision in the **Rodriguez** case has not slowed the pace of litigation, as many had predicted, nor have recent decisions by state courts in Colorado, Georgia and New York. Since 1973, state supreme courts in California, Connecticut, New Jersey, Washington, West Virginia, Wisconsin and Wyoming have ruled their state systems of school finance unconstitutional on the basis of state equal protection and state education clauses; supreme courts in Colorado, Georgia, Idaho, Illinois, New York, Ohio, Oregon and Pennsylvania have upheld state finance systems. Trial court decisions finding financing systems in violation of the state constitution are on appeal in Maryland and West Virginia but have been let stand in Arkansas. School finance cases are pending in Massachusetts, Michigan, New Hampshire, Oklahoma and South Dakota. In California, New Jersey and Washington, cases are being reopened.

In short, school finance litigation is more diversified than it was a decade ago. (See Chapter 4 for a more detailed analysis of school finance litigation.)

2. The Economic, Demographic and Political Context



Education financing, school finance reform and the politics of education are shaped by – and shape– a broader economic, demographic and political context. This section provides a brief overview of the general fiscal condition of the states, a summary of demographic trends (including enrollment projections for public and private schools), and a discussion of changing public perceptions of education and public schools. It concludes with an examination of the fiscal condition of public education across the 50 states.

The Fiscal Condition of the States

Government spending, except for defense, has ceased to grow as a percent of gross national product (GNP) and in the last couple of years, has actually decreased. For 1981, it is estimated from our own sources, that local governments spent 4.4% of the GNP, state governments 5.5% and the federal government about 23% – in all about one-third of GNP. This size of the public sector is unlikely to rise, at least in the short run. With funding for government activities "stable" at best, significant new financial commitments to education will be gained only at the expense of other activities.

The general fiscal capacity of states also has been changing, as has the fiscal capacity of school districts. Three striking conclusions can be drawn from data on tax capacity (Table 1) compiled by the Advisory Commission on Intergovernmental Relations in 1982:

★ The 50 states vary widely in their ability to raise tax revenues. Mississippi can raise 69% of the national average, whereas Alaska can raise 260%. Excluding those extremes, the differences range from 25% below the average to 25% above the average.

★ The relative fiscal positions of the states have changed significantly over the past decade-and-a-half. For example, New Hampshire dropped from 110% of the national average to 97%, New York from 108% to 90% and Michigan from 104% to 97%. On the other hand, the rankings of Colorado, New Mexico, North Dakota, Oklahoma and Texas rose substantially. Many of the states whose positions have improved, levy severance taxes on the extraction of coal, gas or oil.

★ The shift in fiscal capacity has been from the North and East to the South and West, a shift of wealth that mirrors broader economic and social developments (Naisbitt, 1982).

These changes suggest that traditional perceptions of wealthy states and poor ones may need to be revised and that intrastate and interstate issues of school financing may both be affected.

Even states with excellent fiscal capacity now face revenue shortfalls, however. According to Table 2, which presents 1982 general fund balances (i.e., general fund surpluses divided by the total general fund expenditures), 38 states had fund balances below 5%; 7 of those states ended the year with a deficit.

The situation is unlikely to improve in 1983. At the beginning of fiscal year 1983 (July 1, 1982 in most states), 38 states budgeted for a fund balance of less than the 5%. Even these unusually low estimates turned out to be inaccurate, however. By mid-November 1982, 26 states already had cut their budgets to meet their fund balance projections, 9 states anticipated cuts and only 15 states maintained their earlier projections. By the end of December, 44 states were projecting revised fund balances of less than 5%, 35 states had cut their 1983 budgets and 19 states were projecting fiscal 1983 deficits (Gold and Benker, 1983). In short, state revenue shortfalls seem likely to worsen as the 1983 fiscal year unfolds.

TABLE 1. Trends in State Tax Capacity, Selected Years 1967-1980

State	Tax Capacity Index Relative to National Averages 1980(p)	1979(r)	1975(r)	1967
Alabama	76	76	77	70
Alaska	260	217	154	99
Arizona	89	91	92	95
Arkansas	79	77	78	77
California	117	116	110	124
Colorado	113	110	106	104
Connecticut	112	108	110	117
Delaware	111	109	124	123
District of Columbia	111	110	117	121
Florida	100	100	102	104
Georgia	82	81	86	80
Hawaii	107	103	110	99
Idaho	87	91	89	91
Illinois	108	112	112	114
Indiana	92	98	98	99
Iowa	105	108	106	104
Kansas	109	109	109	105
Kentucky	83	85	85	80
Louisiana	109	103	97	94
Maine	80	80	84	81
Maryland	99	99	101	101
Massachusetts	96	93	98	98
Michigan	97	104	100	104
Minnesota	102	105	97	95
Mississippi	69	70	70	64
Missouri	94	97	96	97
Montana	112	113	103	105
Nebraska	97	100	106	110
Nevada	154	154	145	171
New Hampshire	97	96	102	110
New Jersey	105	102	109	107
New Mexico	107	103	92	94
New York	90	89	98	108
North Carolina	80	82	84	78
North Dakota	108	109	101	92
Ohio	97	101	103	100
Oklahoma	117	108	98	102
Oregon	103	106	100	106
Pennsylvania	93	93	98	91
Rhode Island	84	84	88	91
South Carolina	75	76	77	64
South Dakota	90	95	94	91
Tennessee	79	81	84	78
Texas	124	117	110	98
Utah	86	87	86	87
Vermont	84	85	94	88
Virginia	95	93	93	86
Washington	103	103	98	112
West Virginia	94	92	89	75
Wisconsin	95	99	98	94
Wyoming	196	173	153	141
U.S. AVERAGE	100	100	100	100

r = revised
p = preliminary
Source: Advisory Commission on Intergovernmental Relations (ACIK), "Tax Capacity of the Fifty States," mimeographed (Washington, D.C., June 1982).

As Adams (1982) has noted, there are four major reasons for the current fiscal condition of the states:

★ Reductions of taxes in the late 1970s and the indexing of state tax rates have reduced revenues significantly.

★ The federal Economic Tax Act of 1981, which reduced individual and corporate income taxes, also reduced state tax revenues in many states that link their tax system to the federal system.

★ Reductions in federal aid in 1981 and 1982 have reduced state revenues.

★ The national recession has driven state revenues in many states below projections and then below "revised-downward" projections for the last four quarters.

The popularity of tax cuts coupled with the severity of the national recession make it politically difficult for states to change or improve this situation. Only the energy-rich states seem to be weathering the storm, although some of these (Louisiana, for example) now are beginning to feel the effects of declining energy prices.

Within this broad fiscal context, the financing of public schools is not expected to improve dramatically.

TABLE 2. State Year-End Budget Balances as a Percentage of General Fund Expenditures

State	1978	1979	1980	1981	1982	1983 7/1/82
Alabama	6.7	1.4	1.2	4.1	3.8	0
Alaska	58.4	60.8	188.2	23.6	3.9	11.3
Arizona	3.1	11.0	19.7	8.9	2.8	0
Arkansas	0	0	0.1	1.9	0	0
California	31.0	16.5	13.7	1.7	1.1	2.2
Colorado	10.3	15.1	21.5	4.1	2.3	6.3
Connecticut	4.9	-	-	−2.4	−1.7	0
Delaware	5.1	8.9	6.8	8.2	5.9	5.3
Florida	4.2	7.9	17.6	0.6	5.4	2.7
Georgia	6.0	3.9	5.8	1.8	2.5	2.7
Hawaii	0.3	7.5	18.3	17.0	11.6	1.0
Idaho	0	3.2	1.9	0.4	0	0
Illinois	1.3	5.8	5.2	2.4	2.3	2.0
Indiana	1.4	18.7	10.7	1.3	2.6	0.8
Iowa	7.4	5.8	1.8	1.8	0.8	0.3
Kansas	18.4	20.3	16.5	12.1	10.2	6.9
Kentucky	5.8	4.6	0.8	0.6	1.0	1.8
Louisiana	1.6	15.1	19.3	14.8	8.8	2.2
Maine	8.4	5.5	3.6	4.3	2.8	0
Maryland	9.2	5.5	11.2	5.3	4.9	0
Massachusetts	5.5	5.6	1.1	0.5	1.6	1.8
Michigan	0.6	0.7	0	0	N.A.	N.A.
Minnesota	1.0	7.8	3.4	−0.1	−14.5	3.5
Mississippi	13.7	8.1	6.2	7.0	2.9	2.5
Missouri	9.4	20.5	13.7	4.9	4.3	7.2
Montana	15.4	12.0	17.8	23.4	17.6	10.0
Nebraska	6.2	11.9	20.3	8.8	0	2.8
Nevada	N.A.	26.6	18.6	11.4	10.4	7.1
New Hampshire	11.3	13.2	3.9	−11.0	−2.4	−1.3
New Jersey	7.0	4.9	5.9	3.8	2.0	0.1
New Mexico	13.0	6.4	16.6	18.6	7.5	6.6
New York	0.1	0.1	0.1	0.1	0	0
North Carolina	8.5	7.6	10.4	4.9	3.3	0
North Dakota	73.3	49.8	53.2	49.9	25.1	5.7
Ohio	3.2	9.2	3.4	0.2	deficit	0
Oklahoma	10.8	13.4	5.6	27.1	7.4	8.1
Oregon	20.7	12.9	6.7	0.8	deficit	0.2
Pennsylvania	−0.1	0.5	1.1	1.1	0	0
Rhode Island	3.7	6.9	5.2	4.1	0	0
South Carolina	4.3	1.0	3.2	0	0	4.2
South Dakota	5.2	5.6	7.3	8.9	3.7	1.8
Tennessee	0	0.3	4.9	1.9	1.3	1.2
Texas	20.2	17.9	10.7	20.0	N.A.	10.0
Utah	4.1	2.5	1.2	5.9	1.7	0.3
Vermont	2.5	0	−3.1	−0.5	0	0
Virginia	1.9	5.7	14.1	11.0	1.7	0.1
Washington	10.6	14.8	4.6	0.1	deficit	1.7
West Virginia	5.9	4.9	7.9	0.8	−0.6	0
Wisconsin	9.0	9.0	2.2	0.7	1.9	0.7
Wyoming	30.0	69.9	70.0	30.3	26.4	33.5

N.A. = not available
Source: Steven D. Gold and Karen Benker, unpublished data from the National Conference of State Legislatures (Denver, Colo., December 1982).

Major changes in school finance structures may be possible in a few states where fiscal conditions are good or where pressures for change are strong. Overall, though, the fiscal condition of the states greatly constrains the potential for state school finance activity in the first half of the 1980s.

Demographic and Student Enrollment Trends

Major demographic changes that have already taken place and are predicted to continue over the next 15 to 20 years will also affect state school finance policies. As Table 3 shows:

- ★ School enrollments will begin to increase in 1985 after more than a decade of decline.
- ★ Enrollment increases will occur in the early grades, so plans for managing growth should focus on elementary schools.
- ★ Secondary school enrollments will decline until the end of this decade, so secondary schools will need to continue managing decline at least for the next 5-7 years.
- ★ The ratio of public/private school enrollments will remain essentially unchanged, unless there is a major public policy change (which most predict is unlikely).

Additionally, as noted in earlier reports and now confirmed by more recent data, minorities make up a growing majority of students enrolled in public schools, accounting for more than 25% of all students in 1980, with the percentage rising each year.

While school enrollments are projected to increase nationwide in 1985 and to continue increasing for the next 15 years, they will not increase uniformly in all states. Table 4, which projects school-age population by state to the year 2000, shows that 10 of the 50 states will have enrollment decreases – all of them in the industrial Midwest or Northeast.

School-age population and enrollment trends combine with state fiscal capacity trends to create a mixture of conditions among the states. Some states with increasing enrollments anticipate increasing fiscal capacity. Some face declines of enrollments and capacity, or some increases in one and decreases in the other. Clearly school financing is likely to be most difficult where enrollments are increasing and fiscal capacity is decreasing.

In a recent study of state education funding prospects through the year 2000, the federal School Finance Project assessed the combined impact enrollment shifts, fiscal capacity changes, tax effort, reliance on federal aid and historic spending patterns. They concluded that funding prospects were favorable in 15 states, average in 17 and unfavorable in 19 (Table 5).

Public Opinion of Education and the Public Schools

If the current fiscal context and the mismatch between demand for education services and the capacity of states to fund them suggest a rather pessimistic near-term future for state school financing, shifts in public opinion provide some grounds for optimism.

In the 1970s, public opinion of the public schools fell even as financial support for public schools rose (Odden and Augenblick, 1980). Now, as Table 6 indicates, public opinion may be rising. Those giving the public schools a grade of A or B declined from 48% to 34% between 1974 and 1979, but that percentage has begun to creep slowly upward in the 1980s, reaching 37% in the poll reported in September 1982.

Since the percentage of the total population with children in schools (and therefore with a direct stake in public education) is at an all-time modern low (Garms and Kirst, 1980), the change is welcome, especially if it can be converted into political support for the schools.

Further evidence of public support for schools is shown in Table 7: most important to the future of the country is "the best education system" (chosen by 84% of the respondents to a recent poll), more important than an efficient industrial system (66%) or a strong military force (47%).

Also worth noting in these times of retrenchment is public opinion about which components of school budgets could be cut if cuts were necessary. Table 8 reveals a pattern essentially unchanged over the past decade: reluctance to cut teachers or teacher salaries but support for cutting administration. What might be surprising is the strong support for special programs: the public is less willing to reduce special services than to reduce the number of teachers. This may reflect strong support for special education services, however, rather than for compensatory or bilingual education. Nevertheless, overall the public seems to support the broadened missions of public schools but wants the job done efficiently – with lean administrations and strong support for teachers.

While fiscal condition of and public opinion toward schools seem to move in opposite trends, the former up and latter down in the 1970s and now the reverse, the two really are unconnected. The fiscal trends reflect economic and intergovernmental trends, while public opinion is a reflection of demographic trends. In the 1970s, the economy was much healthier than it is today; this factor along with rising federal aids to

both states and local governments helped the fiscal expansion experienced by the schools. These phenomena have changed today and both states and local school districts are experiencing financial difficulties. As for demographics, the 1970s witnessed a sharp decline in school enrollments and large increases in older population groups; during this decade, school enrollments will increase and there is a wide portion of the population (ages 25-50) with interests in services for children. While the demographic and economic trends are not related in a fundamental sense, the increase in public support for schools nevertheless is a welcome situation given the fiscal conditions schools face.

TABLE 3. Enrollment in Regular Public and Private Schools by Grade Span: Fall 1970 to 1990 (thousands)

Fall of Year	Public and Private Schools			Public Schools			Private Schools		
	Total	Grades K-8	Grades 9-12	Total	Grades K-8	Grades 9-12	Total	Grades K-8	Grades 9-12
1970	51,272	36,629	14,643	45,909	32,577	13,332	5,363	4,052	1,311
1971	51,281	36,165	15,116	46,081	32,265	13,816	5,200*	3,900*	1,300*
1972	50,744	35,531	15,213	45,744	31,831	13,913	5,000*	3,700*	1,300*
1973	50,430	35,053	15,377	45,429	31,353	14,077	5,000*	3,700*	1,300*
1974	50,053	34,621	15,432	45,053	30,921	14,132	5,000*	3,700*	1,300*
1975	49,791	34,187	15,604	44,791	30,487	14,304	5,000*	3,700*	1,300*
1976	49,484	33,831	15,653	44,317	30,006	14,311	5,167	3,825	1,342
1977	48,716	33,133	15,583	43,577	29,336	14,240	5,140	3,797	1,343
1978	47,636	32,060	15,576	42,550	28,328	14,223	5,085	3,732	1,353
1979	46,679	31,585	15,094	41,579	27,885	13,694	5,100*	3,700*	1,400*
1980	46,013	31,343	14,670	40,984	27,671	13,313	5,029	3,672	1,357
				Projected					
1981	45,189	30,956	14,233	40,189	27,356	12,833	5,000	3,600	1,400
1982	44,544	30,761	13,783	39,544	27,161	12,383	5,000	3,600	1,400
1983	44,165	30,623	13,542	39,165	27,023	12,142	5,000	3,600	1,400
1984	44,039	30,505	13,534	39,039	26,905	12,134	5,000	3,600	1,400
1985	44,166	30,551	13,615	39,166	26,951	12,215	5,000	3,600	1,400
1986	44,556	31,059	13,497	39,456	27,359	12,097	5,100	3,700	1,400
1987	45,004	31,787	13,217	39,804	27,987	11,817	5,200	3,800	1,400
1988	45,358	32,522	12,836	40,158	28,722	11,436	5,200	3,800	1,400
1989	45,905	33,347	12,558	40,605	29,447	11,158	5,300	3,900	1,400
1990	46,667	34,244	12,423	41,267	30,244	11,023	5,400	4,000	1,400

*Estimated
Note: Details may not add to totals because of rounding.
Source: National Center for Education Statistics, *The Condition of Education, 1982* (Washington, D.C., U.S. Government Printing Office, 1982), p. 44.

TABLE 4. Projected School-Age (5-17) Population by State, 1985, 1990 and 2000

State	Year 1985	1990	2000	Growth 1985-90
Alabama	855,300	920,200	1,092,100	+
Alaska	93,000	101,200	118,700	+
Arizona	604,300	700,000	946,400	+
Arkansas	517,500	573,100	670,200	+
California	4,523,300	5,009,200	5,988,400	+
Colorado	597,000	670,200	870,900	+
Connecticut	541,800	505,700	507,300	–
Delaware	109,700	108,100	104,300	–
District of Columbia	77,000	63,600	48,900	–
Florida	1,682,400	1,834,600	2,164,600	+
Georgia	1,178,300	1,215,800	1,382,000	+
Hawaii	119,800	224,500	281,500	+
Idaho	250,600	303,200	395,700	+
Illinois	2,166,600	2,149,600	2,022,800	–
Indiana	1,121,100	1,156,300	1,179,600	+
Iowa	577,500	622,800	667,500	+
Kansas	463,200	522,700	593,500	+
Kentucky	809,300	886,900	1,086,300	+
Louisiana	976,500	1,099,500	1,314,100	+
Maine	232,300	245,900	297,900	+
Maryland	776,000	758,800	749,000	–
Massachusetts	980,700	941,300	1,001,150	–
Michigan	1,865,700	1,865,700	1,891,600	even
Minnesota	814,000	872,700	969,300	+
Mississippi	623,700	772,400	984,100	+
Missouri	955,700	1,016,000	1,067,900	+
Montana	173,900	199,800	238,400	+
Nebraska	324,300	363,900	435,100	+
Nevada	161,700	187,300	259,600	+
New Hampshire	194,800	215,100	287,300	+
New Jersey	1,301,100	1,211,800	1,134,200	–
New Mexico	315,500	368,400	463,300	+
New York	2,987,900	2,760,100	2,513,600	–
North Carolina	1,172,000	1,181,000	1,309,000	+
North Dakota	139,100	160,400	192,600	+
Ohio	2,056,300	2,015,400	1,947,900	–
Oklahoma	657,600	750,500	903,100	+
Oregon	575,300	679,500	898,600	+
Pennsylvania	2,047,200	1,961,600	1,886,800	–
Rhode Island	160,400	156,800	168,300	–
South Carolina	679,800	711,300	809,900	+
South Dakota	149,000	174,900	209,900	+
Tennessee	970,000	1,037,900	1,247,300	+
Texas	3,310,100	3,755,500	4,815,400	+
Utah	445,900	585,700	816,300	+
Vermont	104,700	112,700	136,500	+
Virginia	1,029,300	1,040,900	1,149,500	+
Washington	852,500	912,000	1,077,400	+
West Virginia	413,500	421,900	435,800	+
Wisconsin	944,100	996,600	1,062,200	+
Wyoming	121,700	158,100	232,500	+

Source: George Masnick and John Pitkin, "Cohort Projections of School-Age Populations for States and Regions: 1985 to 2000" (Cambridge, Mass.: MIT/Harvard Joint Center for Urban Studies, 1982).

TABLE 5. State Education Funding Prospects Through the Year 2000

States With Favorable Prospects	States With Average Prospects	States With Unfavorable Prospects
Alaska	Arizona	Alabama
Connecticut	California	Arkansas
Delaware	Colorado	Georgia
District of Columbia	Florida	Idaho
Illinois	Hawaii	Indiana
Maryland	Iowa	Kentucky
Massachusetts	Kansas	Louisiana
Michigan	Missouri	Maine
Minnesota	Montana	Mississippi
New Jersey	Nebraska	Nevada
New York	New Mexico	New Hampshire
Oregon	Ohio	North Carolina
Rhode Island	Oklahoma	North Dakota
Washington	Pennsylvania	South Carolina
Wisconsin	Virginia	South Dakota
	West Virginia	Tennessee
	Wyoming	Texas
		Utah
		Vermont

Source: "The Prospects for Financing Elementary/Secondary Education in the States," School Finance Project (Washington, D.C.: National Institute of Education, December 1982).

TABLE 6. U.S. Ratings of Public Schools

Grade Given to Public Schools	Percent of Those Polled					
	1974	1977	1979	1980	1981	1982
A	18	11	8	10	9	8
B	30	26	26	25	27	29
C	21	28	30	29	34	33
D	5	11	11	12	13	14
F	5	5	7	6	7	5

Source: George Gallup, "Gallup Poll of the Public's Attitudes Toward the Public Schools," *Phi Delta Kappan*, vol. 64, no. 1 (September 1982),pp. 36-50.

TABLE 7. Public Rating of Education, Industry and the Military as Important for America's Future

	Very Important	Fairly Important	Not Too Important	Not Important	Don't Know
Best education system	84	13	1	–	2
Most efficient industrial system	66	26	3	1	4
Strongest military force	47	37	11	2	3

Source: George Gallup, "Gallup Poll of the Public's Attitudes Toward the Public Schools," *Phi Delta Kappan*, vol. 64, no. 1 (September 1982), pp. 36-50.

TABLE 8. Cutting School Budgets

	Percent of Those Polled Who		
	Favor	Oppose	No Opinion
Reduce administration	71	22	7
Reduce teachers/increase class size	18	76	6
Cut teachers' salaries	17	76	7
Reduce instruction in basics	3	93	4
Reduce special services	11	83	6

Source: George Gallup, "Gallup Poll of the Public's Attitudes Toward the Public Schools," *Phi Delta Kappan*, vol. 64, no. 1 (September 1982), pp. 36-50.

The Fiscal Condition of Public Education

In the 1970s, public school revenues increased in nominal and real terms, expenditures per pupil increased at an even higher rate, and pupil-teacher ratios declined significantly (Odden and Augenblick, 1980; 1981). In the 1980s, progress seems likely to be less even.

Table 9 relates education to economic activity. Between 1969 and 1979, expenditures on education as a percent of gross national product and of personal income remained constant – even with declining school enrollments and increasing government services in noneducation sectors. The figures for 1980, 1981 and 1982 indicate that the place of public education is slipping in the current decade, although the changes are not dramatic. Money spent on education as a percent of GNP has slipped from 3.8% in 1979 to 3.6% in 1982; education spending as a percentage of personal income slipped from 4.6% to 4.3%. These figures should be viewed with some caution, however. The 1981 and 1982 figures are estimates; the 1980 and 1979 figures, published previously as estimates (Odden and Augenblick, 1981) have both been revised upward. If actual figures for 1981 and 1982 are also higher than estimated, the drop will be less than it now seems.

TABLE 9. Total of Elementary/Secondary Public School Expenditures for Selected Years

School Year Ending In	Total Revenues (Billions)	Total Revenues as a Percent of GNP**	Personal Income**
1969	35.5	3.8	4.7
1979	87.4	3.8	4.6
1980	95.1	3.7	4.6
1981	102.8	3.5	4.3
1982	110.1	3.6	4.3

*National Education Association, *Estimates of School Statistics*, selected years.
**As of second quarter, seasonally adjusted, *Survey of Current Business*, selected years.

	Second Quarter (billions)			
	1979	1980	1981	1982
GNP	$2,329.8	$2,524.6	$2,901.8	$3,041.2
Personal Income	$1,892.5	$2,079.5	$2,380.6	$2,553.5

Table 10 shows overall fiscal support for education alone, in both nominal and real terms (1979 dollars). The picture is mixed, but rich. First, real resources for public schools began to increase in 1982, which contrasts previous reports that they had been declining in the 1980s (Odden and Angenblick, 1981; 1980). Although 1982 resources do not yet equal the 1979 level of $87.4 billion, the halt in their decline, especially in times of fiscal austerity, indicates the resilience of public schools. The depth of the current recession, however, may cause continued declines in the next few years. The slight increase for 1982 may be just a temporary change in a continuing downward trend. Second, the largest decline in real resources has occurred at the federal level: in real terms, federal spending dropped from $8.2 billion in 1979 to $6.7 billion in 1982. Third, state support has dropped less than one billion dollars in real terms. Fourth, local support, which increased from $34.2 to $35.4 billion between 1981 and 1982 may offset, in part, losses in state or federal support. Whether local property taxes continue to increase is still unknown, but many predict that will be a trend in the next few years. Table 11 shows that the overall revenue picture is different among the states. Real revenues have dropped in 36 states.

While increased local support could begin to exacerbate fiscal inequities that the school finance reforms of the 1970s sought to eradicate, overall the increase indicates the strength of the intergovernmental fiscal system. In the 1970s, when political attention focused on property taxes, state and federal governments increased their fiscal contributions and property taxes were reduced and reformed. Today, when the federal government is under political pressure to reduce and reform federal taxes, the response within the intergovernmental fiscal system has been to increase local and state taxes to compensate, at least in part. What the final figures will show for 1983 is uncertain, and overall trends for the entire decade are still developing. But, as of late 1982, fiscal resources for public education were growing in nominal terms and ceasing to decline in real terms.

The shift in revenue sources that began in the 1970s continues, though at a less rapid pace. Revenues from state sources, which rose from 39.9% to 47.1% between 1969 and 1979, have increased each year in the 1980s, and how total 48.9%. Revenues from federal sources have declined as a percentage of total support, from 9.3% in 1979 to 8.1% today. Revenues from local sources, down from about 53% in 1969 to about 43% in 1982, fluctuate one or two

TABLE 10. Nominal and Real Levels of Revenue for Public Schools, Selected Years

School Year Ending In	Sources of Revenue (Billions) Local		State		Federal		Total	
	Nominal	Real*	Nominal	Real	Nominal	Real	Nominal	Real
1969	$18.3	$36.4	$13.9	$27.6	$2.6	$5.2	$34.8	$69.1
1979	38.1	38.1	41.1	41.1	8.2	8.2	87.4	87.4
1980	39.9	35.3	46.5	41.1	8.7	7.7	95.1	84.0
1981	42.9	34.2	50.2	40.0	8.7	6.9	102.8	82.0
1982	47.3	35.4	53.8	40.3	8.9	6.7	110.1	82.5

*Relative to 1979.
CPI: July 1969 = 110.2, July 1979 = 218.9, July 1980 = 247.8, July 1981 = 274.4, July 1982 = 292.2, July 1983 = 306.8 (est.), 1967 = base year.
Source of revenue figures: National Education Association, *Estimates of School Statistics*, selected years.

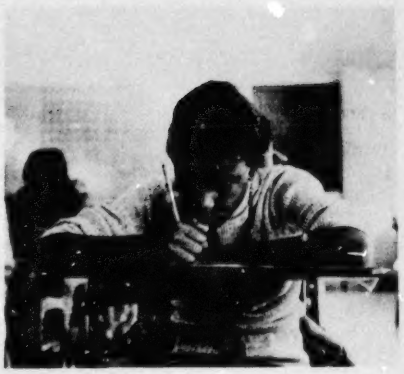
percentage points about that average. Although local support may increase somewhat as support from other sources decreases, states today contribute most of the revenues for public schools. Most analysts predict this will remain the case through the 1980s, although they feel state aid is unlikely to exceed 50%.

The pattern of expenditures per pupil is somewhat different, undoubtedly because enrollments have declined more than real revenues (Table 12). Nominal expenditures per pupil have increased every year. Real expenditures per pupil fell in 1980 and 1981 but rebounded in 1982 to levels above those at the beginning of the decade. This trend probably will not continue throughout the decade, however, since enrollment declines are beginning to taper off and enrollments will increase in the latter part of the decade. For real expenditures per pupil to remain constant or to increase in the next seven years, total real revenues also will need to increase.

Conclusion

Predicting the course of school finance or the fiscal condition of public schools for the 1980s is difficult; future extrapolations from short-term trends are rarely accurate. Demographic patterns are changing, enrollment levels are changing, state fiscal conditions and fiscal capacity are changing, public opinion is changing, revenues for schools show no consistent patterns, and the trends for all are different in each state. The purpose of this chapter has been to identify the important demographic, economic and fiscal changes that have occurred as a means of outlining the broader context within which school finance policy is shaped.

TABLE 11. Nominal and Real Levels of Revenues for Public Schools by State, 1979 and 1982



School Year Ending:
(Millions)

State	1978-79	1982		Real Change: 1985-90
		Nominal	Real*	
Alabama	$1,101	$1,081	$ 811	–
Alaska	383	562	422	+
Arizona	1,020	1,421	1,066	+
Arkansas	636	822	617	–
California	8,943	9,478	7,109	–
Colorado	1,200	1,654	1,241	+
Connecticut	1,359	1,599	1,199	–
Delaware	282	337	253	–
District of Columbia	297	299	225	–
Florida	2,968	4,280	3,210	+
Georgia	1,592	2,326	1,745	+
Hawaii	304	481	361	+
Idaho	311	410	308	–
Illinois	4,888	5,792	4,344	–
Indiana	1,969	2,333	1,750	–
Iowa	1,228	1,412	1,059	–
Kansas	869	1,248	936	+
Kentucky	1,108	1,350	1,013	–
Louisiana	1,340	1,650	1,238	–
Maine	409	514	386	–
Maryland	1,905	2,307	1,730	–
Massachusetts	2,839	3,483	2,612	–
Michigan	4,255	5,411	4,058	–
Minnesota	2,036	2,621	1,966	–
Mississippi	709	933	681	–
Missouri	1,596	2,021	1,516	–
Montana	344	457	343	–
Nebraska	607	741	556	–
Nevada	266	326	245	–
New Hampshire	269	421	316	+
New Jersey	3,393	4,572	3,429	–
New Mexico	557	748	561	+
New York	8,412	10,072	7,554	–
North Carolina	2,021	2,378	1,784	–
North Dakota	227	269	202	–
Ohio	3,662	4,812	3,609	–
Oklahoma	1,058	1,505	1,129	+
Oregon	1,130	1,518	1,139	+
Pennsylvania	4,845	5,900	4,425	–
Rhode Island	327	430	323	–
South Carolina	983	1,287	965	–
South Dakota	240	287	215	–
Tennessee	1,223	1,687	1,265	+
Texas	5,153	7,620	5,715	+
Utah	567	740	555	–
Vermont	193	230	173	–
Virginia	1,935	2,497	1,873	–

*1979 dollars

TABLE 11. (continued)

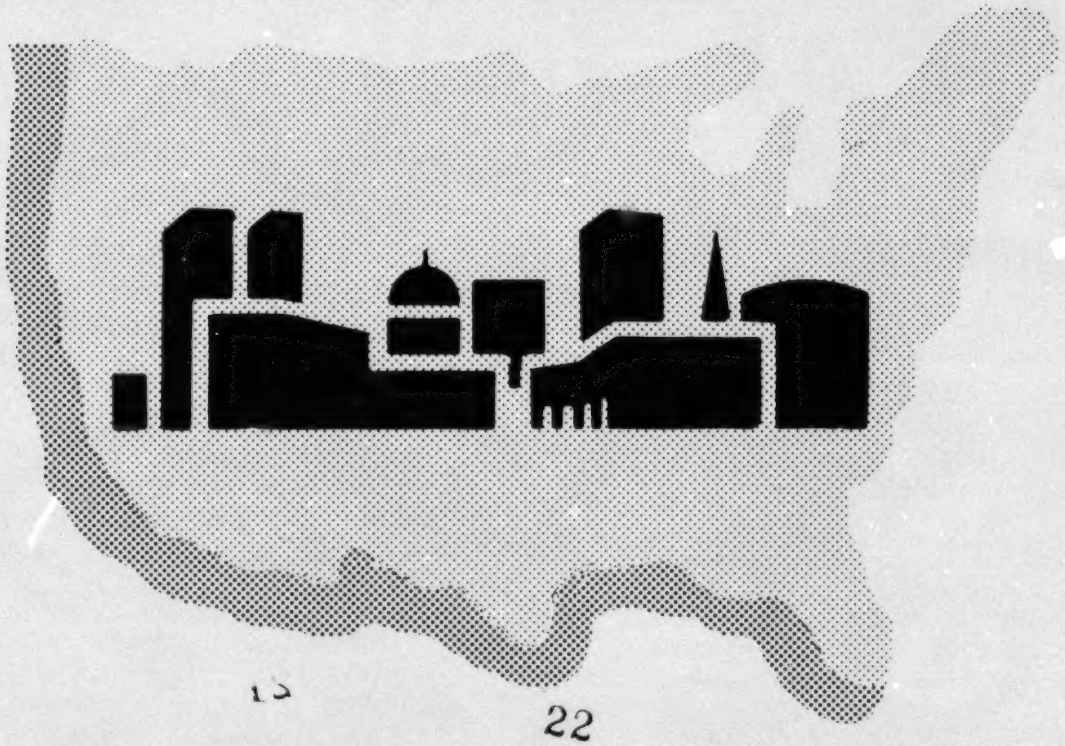
State	School Year Ending: (Millions) 1978-79	1982 Nominal	1982 Real*	Real Change: 1985-90
Washington	1,536	2,107	1,580	+
West Virginia	670	897	673	+
Wisconsin	1,977	2,441	1,831	–
Wyoming	231	300	225	–

*July 1979 dollars
Source: National Education Association, *Estimates of School Statistics*, selected years.

TABLE 12. Current Expenditures per Pupil

School Year Ending	Nominal	Real*
1969	$ 657	$1,305
1979	1,844	1,844
1980	2,058	1,818
1981	2,289	1,826
1982	2,498	1,871

*July 1979 dollars
Source: National Education Association, *Estimates of School Statistics*, selected years.



3. State Legislative Agendas, 1983

State legislative agendas during 1983 will be significantly affected by the fiscal conditions described in the previous chapter. Nonetheless, a number of states are studying their systems of support for schools, looking not only at equity but also at issues like fiscal adequacy, capital outlay, transportation, energy costs and teacher quality. As policy makers seek more effective ways of allocating scarce resources, more states are interested in developing incentives to make schools more effective – to get more mileage from scarce dollars.

School finance reforms were few in 1982, but a number of states enacted new programs related to school finance. Oklahoma and Vermont enacted major reforms in their school funding systems, both substantially increasing state aid with Vermont also passing a tax rate increase. Most states were preoccupied with the search for solutions to revenue problems brought on by the economic recession. A number of states sought to increase state taxes and a few examined ways to give local school districts greater authority to raise revenues. A few states provided healthy increases in revenues for schools without enacting major reforms.

For 1983, the issues are mixed across the country. In at least 10 states the major issue in school finance will be finding the revenues to maintain current services. Most seriously affected by the economic recession are states whose economies are linked to the automobile and housing industries – Michigan, Ohio, Oregon and Washington. Other states in poor fiscal health include Alabama, California, Florida, Idaho, Minnesota, New York, North Carolina, South Carolina and Wisconsin.

Several states will debate legislation responding to specific problems. Policy makers in Arizona, Colorado, Montana, New Hampshire, New Mexico, North Dakota, Pennsylvania, South Dakota, Utah, Virginia and Wyoming will be considering legislation in such areas as capital outlay, declining enrollments, property taxes, teacher salaries and transportation. Some have draft legislation ready for discussion; others have indicated only that these issues are likely to receive attention during the 1983 session.

Several states continue to take a proactive role in studying important issues in school finance and in evaluating their current practices. Sixteen states have recently completed or initiated studies of various aspects of their school finance systems or of issues with direct implications for school finance. Nine of these states have proceeded without outside financial assistance: Alaska, Illinois, Georgia, Kentucky, Nevada, Tennessee, Texas, Washington and West Virginia. The other seven received some support from the National Conference of State Legislatures (NCSL), which required states to match grants from NCSL with cash or in-kind services: Arkansas, Iowa, Maine, Missouri, North Carolina, Vermont and Wisconsin. American Samoa also received a grant to develop new territorial revenue sources for elementary and secondary programs. These studies, all of different levels of complexity and in varying stages of completion, examined the following aspects of school finance systems:

- ★ **Arkansas** $20,000 to study education finance equalization and make recommendations for legislative action.
- ★ **Iowa** $8,000 to develop ways of fine-tuning the state aid system.
- ★ **Maine** $8,000 to find ways to identify areas for improvement in the school finance system.
- ★ **Missouri** $10,000 to study the adequacy and equity of the state aid system and to make recommendations to the state legislature.
- ★ **North Carolina** $18,000 to determine the relationship between the costs of regular and special education programs.
- ★ **Vermont** $20,000 to study tax and aid distribution formulas that could replace the existing system of support for schools.
- ★ **Wisconsin** $15,000 to define a cost-of-education index and determine its value to the state's equalization formula.

In Connecticut, Delaware, Hawaii, Kansas, Louisiana, Maryland, Massachusetts, Nebraska, New Jersey and Oklahoma no major legislative action in school finance is anticipated. In some of these states, policy makers are giving recent major changes in school finance systems an opportunity to work. In others, policy makers are awaiting the outcome of pending school finance litigation. In still others, other priorities or budget constraints supersede education finance issues.

Activities in the 50 States

In **Alabama** pay raises for teachers presented a major issue. State aid for schools increased by 11% over the previous year. Some of the additional money was spent on instructional programs, but most was used to raise teachers' salaries by 15%. Nevertheless, income and sales tax revenues have fallen short of expectations. The 1982-83 education budget was based on an expected surplus of $16 million from 1982 and an estimated growth of 7% in the Alabama Special Education Trust Fund. But a poor economy has eliminated the surplus and has made any meaningful increase in trust fund revenues unlikely. It is expected that the $768 million originally authorized by the state legislature for the 1982-83 school year will be reduced by 10%.

Alaska initiated a comprehensive review of the state's foundation program in July 1982. The review, which the Alaska department of education is directing, focuses not only on the equity of the state aid system but also on specific aspects of the system that relate to adequacy, efficiency and local control. Central to the study is the development of regional cost-of-education indices, program cost differentials and school finance computer simulations. The analysis of equity and collection of background information is already complete; work on the cost-of-education indices, program cost differentials and computer simulation is scheduled to begin in the spring of 1983. Ultimately, the state board of education will recommend changes to the school finance formula to the state legislature.

In **Arizona** the legislature will address the impact of declining enrollments that have forced some districts to close schools. The question will be whether problems of enrollment decline and school closure should be handled locally or at the state level.

The school finance study commission in **Arkansas** has issued its final report. The commission was created by legislative action early in 1982 after a state district court declared the state's school finance system unconstitutional. The report, issued on Dec. 1, 1982, proposes that a new state aid formula be adopted that would incorporate independent categorical programs into the general aid system through a weighted-pupil approach. The report also recommended that local fiscal capacity include measures of both income and property wealth. Implementing the commission's recommendations would require an estimated $110 million in new state aid, an increase of about 25%. Unfortunately, the report comes at a time when state revenues are deteriorating, and when state aid to schools has already been reduced by $10 million (about 20% of the increased revenues expected over the last year). Thus, it is unclear at this time how the legislature will respond to the commission's recommendations.

California's fiscal situation appears much worse than anticipated. Except for a last-minute supplemental appropriation of $50 million – about $12 per pupil – state aid for the 1982-83 school year increased only enough to cover increases in enrollment. Funding for fiscal 1983-84 has not yet been set, but the outlook is not optimistic. Current estimates place the revenue shortfall for 1983-84 at $1.5 billion or 5% of the state's $24 billion budget, although it may reach $4 billion. The fact of the shortfall and its size both have implications for schools, which were scheduled to receive a cost-of-living increase of about 7% per student for 1983-84 at an estimated cost of $200 million to $250 million. There may be some discussion of higher taxes during the 1983 legislative session, such as increases in oil severance taxes and taxes on cigarettes and alcohol.

Interim legislative committees in **Colorado** have prepared draft legislation in the areas of capital outlay, special education, transportation and effective schools. One bill would create for the first time a state system of support for local school districts that need better facilities. Another bill would increase, over a five-year period, the state share of excess costs reimbursed for special education. A similar bill would modify the state's formula for reimbursing transportation expenses incurred by local school districts. Finally, an innovative proposal will be considered that would provide grants to schools whose programs have been judged as excellent according to state standards measuring aspects of performance like curricular congruence, time on task, achievement test scores and leadership by the principal.

Major changes in the **Connecticut** school finance system are likely to be put off for two reasons. The first is the reopening of the **Horton v. Meskill** case, which challenges the constitutionality of the way the state distributes financial support to school districts. The second is the revenue problem faced by the state. Although the general economy in Connecticut is in fairly good shape, the state's current taxing structure has limited its ability to increase state aid to local school districts. Tinkering with the state formula during the past couple of years had as its main purpose reducing costs to the state. One example: caps were placed on the phase-in revisions of the school finance reform that took place in 1977. The outlook for major

changes in school finance in Connecticut is closely linked to the state's ability to raise additional revenue.

No significant action is expected in **Delaware**. State budget officials report that tax revenues are falling below projections. A "rainy-day" fund will prevent reductions in current services, but no new initiatives are likely. Policy makers in Delaware anticipate that teacher salary equity may become an issue in the future, one with direct implications for the state's school finance system.

In 1982 the legislature in **Florida** passed a one-cent increase in the state sales tax. Fifty percent of the new revenues are earmarked for city and county governments with the remaining 50% earmarked for the state's general fund. State funds for public schools increased by about 11%. Included in the public school appropriation was money for a statewide average salary increase of $1,758. Even with this new tax increase, Florida faces a revenue shortfall of $400 million during fiscal 1983. The governor has asked all state agencies to prepare budgets with a 3.5% reduction in mind. Although the effect on school districts is unclear, many districts have already instituted austerity measures in anticipation of reduced state support. Additional sales tax increases are unlikely candidates for closing the gap. There has been some discussion of increasing the state gasoline tax. Most of these revenues would go for road repair and construction, although some could be diverted to schools if other special revenues can be used for road repair. Three other developments may have financial implications for schools. First, the state supreme court ruled on Dec. 16, 1982, that low income and elderly residents need not live in the state five years before being entitled to its "circuit breaker" program of property tax relief. The decision is expected to reduce local property tax revenues by about 3%. Second, the governor's commission on secondary schools recently recommended that graduation requirements be strengthened and school days be lengthened. Legislative discussion is expected on these recommendations. Third, the state department of education will study the cost factors used in its pupil-weighted school finance formula and most likely propose a new approach. The current system bases weights on what districts are actually spending; the approach being considered would base them on the costs of providing exemplary programs.

In **Georgia** total funds for public schools increased by $106 million, or about 9% in 1982. Of this amount, $44 million was to provide a 5% increase in the salaries of teachers, public librarians and other school personnel. Two new programs were also funded: a remedial education program for 10th-grade students who fail or risk failing the state's basic skills test ($3.8 million), and a high technology training program ($5.5 million). In addition, a governor's task force was appointed to investigate aspects of the state's foundation program, including teacher salaries, tax efforts school districts are required to make to provide their share or foundation program revenues, and the need to equalize the ability of school districts to generate revenues beyond the foundation level.

The hot education finance issue in **Hawaii** may be funding services provided to children of military personnel. Reductions in federal impact aid coupled with state tax revenue decreases have combined to place pressure on the state's education budget. A bill will be introduced during the 1983 legislative session that would allow the state to charge the federal government for 50% of the costs for these children. Such a measure was approved by the state legislature last year, but was vetoed by the governor. The state generally has budget problems and may face a deficit of $250 million for the 1983-1985 biennium unless revenue-generating or expenditure-reducing measures are enacted. Proposals for a tourist tax or state lottery have been discussed. Budget reductions probably will be instituted, including funds for education.

Revenue shortfalls will be considerable in **Idaho** and the legislature may focus its attention on cutting expenditures. The governor recently stated that expenditure cuts have run their course in the state and that taxes should be increased to cover future revenue shortages. The state currently projects revenues of $400 million, $60 million short of planned expenditures. Schools receive nearly half of all general fund revenues, so they could face a reduction of $20 million to $30 million. An increase in the state sales tax is being considered as a possible source of additional revenue; income tax loopholes also are being examined by legislative analysts.

In May 1981 the **Illinois** State Board of Education initiated a study to develop alternatives to current methods of school finance. The study is to yield a

comprehensive financial system that can be implemented by fiscal 1985. Possible new measures of local district need, fiscal capacity and effort are among the top issues being addressed. In all, 26 interrelated studies will be carried out, 24 of them by state board staff and 2 by outside consultants (1 developing a cost-of-education index, the other

developing program cost differentials). All research activities were scheduled to be complete by January 1983; recommendations for a new funding system are expected from the state board of education in February 1983 and may be presented to the legislature later in the spring.

Significant modifications of the foundation program are not anticipated in **Indiana**, but a governor's task force has recommended legislation on teacher recruitment, especially the recruitment of math and science teachers. The task force recommended loans for exceptional candidates who are willing to teach subjects for which there are too few teachers, grants for teachers who retrain in those subjects and the establishment of a training program for students.

No major education initiatives are anticipated in **Iowa** during the 1983 legislative session, but several issues will receive attention. The governor has recommended an increase in the foundation from 78% to 80% of statewide average cost per pupil. One legislative proposal would allow school districts with fewer than four pupils per square mile to inflate their enrollment counts for purposes of state aid. Another would allow districts to place a surcharge on income tax receipts for the purpose of retiring debt incurred on school construction. A third bill would allow districts to go to a four-day school week as a cost-saving measure. Iowa's budget outlook is not optimistic. The state is constitutionally prohibited from operating with a deficit and current revenue projections suggest that unless either the state's sales or income tax is increased, cutbacks in fiscal year 1984 budgets might be required. The governor has recommended that the state sales tax be increased from 3% to 4%.

State aid to local school districts could increase substantially in **Kansas**, pending the outcome of a governor's proposed severance tax of 7% on oil and gas extraction, which would generate an estimated $138 million. The governor proposed using $61.1 million of the new revenues to increase state aid, a 15.8% rise over 1983 state aid payments. Since total state revenues are projected to increase by only 2.2% over fiscal 1983, the new money for schools hinges on the approval of the severance tax measure. The governor also has set as a major goal increasing average teacher salaries to the national average over a five-year period, linking this plan to the state expenditure controls on local districts. He recommended allowing districts that allocate budget increases to teacher salaries to receive an additional 1.5% leeway in budget authority. In addition, he recommended that districts with per-pupil expenditures above the state median be allowed to increase expenditures by 4% next year, but that districts below the median be allowed an increase of between 4% and 8%, depending on the disparity between the district expenditure per pupil and the state median. Thus, a district above the median that agreed to use its increased budget authority to raise teacher salaries would be entitled to increase current operating expenditures by 5.5%, and districts below up to 9.5%. Beyond the goals of increases in state aid and teacher salaries, no significant changes in school finance are anticipated.

In **Kentucky** a special committee on school finance directed by the state superintendent of public instruction will be examining issues such as special education, bilingual education, pupil transportation, capital outlay and alternative measures of local ability to pay for schooling. Educators and businessmen participating in the study are taking a closer look at problems identified in an earlier study commissioned by the state legislature. Recommendations are expected by July 1983.

In **Louisiana**, tax revenues are less than anticipated and no new initiatives are currently on the agenda. The state is in the second year of its Professional Improvement Program for Teachers, a five-year salary enhancement program, which the legislature is expected to continue funding. A new formula for reimbursing school districts for transportation is being considered. Policy makers in this state are generally expected to focus on issues other than education.

As a result of an interim study of school finance in **Maine**, the legislature may consider ways of simplifying the current state aid system and identifying new revenue sources for schools. The governor also may recommend a program to increase revenue sharing with municipalities as a means of providing property tax relief. The state also has revenue problems, however, and legislative proposals likely will focus on nonmonetary issues such as state involvement in the administration of special education programs and in alternative uses of excess school building capacity.

In **Maryland**, policy makers are awaiting the final outcome of the school finance court case before changing the state aid system. A judgment by the state supreme court in **Somerset v. Hornbeck** is not expected until the end of the 1983 legislative session. Because the lower court judgment suggested that numerically equal per-pupil expenditures would be required to meet state constitutional and statutory mandates except for legitimate differences caused by program costs or price variations, the state last year completed a study of price variations among the school districts. The implementation of a price index is linked to the court case.

No major initiatives in school finance are anticipated in **Massachusetts** during fiscal 1983. First, policy makers await the outcome of the **Webby v. King** court case, which challenges the constitutionality of the state's school finance formula. Current opinion among policy makers is that the formula is conceptually sound although the

save-harmless provision that prevents districts from losing state aid creates inequalities. Second, this state passed Proposition 2 1/2 just two years ago, which severely limits local property tax revenues. A major impact of Proposition 2 1/2 is reported to be the loss of an estimated 7,500 school teachers, so staffing schools is likely to have much higher priority than modifying the school finance formula.

In **Michigan,** state budget officials presently anticipate a revenue shortfall of between $300 million to $500 million. Still unknown is the extent to which the revenue shortfall will translate into reductions in state school aid. Over the last two fiscal years, state aid to school districts has fallen $200 million, which has meant that 170 of 575 districts are no longer on the formula. These districts enroll approximately 22% of all the elementary and secondary pupils in the state. While policy makers in the state are sensitive to the strains that reductions of state support place on local school districts, no easy solutions are in sight. Governor Elect Blanchard has proposed increasing the state income tax by 38%.

Minnesota had to cut its budget several times during the first six months of fiscal year 1983; the latest cut totaled $350 million and included substantial cuts in the education budget. Budget problems could lead to modifications in the state aid formula, such as requiring increased local support. Policy makers have also expressed concern about the complexity of the current formula, which has changed incrementally over the past 12 years. The state board of education has proposed to the new governor that the general aid portions of the formula be consolidated in a streamlined basic foundation program, with a specific required local effort and the difference fully made up by state aid. For spending above the foundation level, the board has proposed to guarantee a yield at the 75th percentile of district property wealth for the first increment of additional spending, at the 50th percentile for the next increment, and at the 25th percentile for the next. How seriously this proposal is considered will depend on future developments in the state's fiscal situation and on how it affects the state education budget.

The legislature in **Mississippi** met in special session in December 1982 and enacted a number of measures to strengthen the state's school system. Included in the reform package were (1) a statewide, mandatory kindergarten program beginning in 1986; (2) a compulsory school attendance law; (3) a reading aid program for the first three elementary grades; (4) tightened teacher certification standards; (5) a plan for upgrading school accreditation standards; (6) a principal training academy; and (7) a significant increase in teacher salaries. The program will be funded at $237 million mainly through increases in state sales and income taxes.

Missouri voters reversed the trend of voting down tax increases when they passed Proposition C, which raised the state sales tax one cent. Half of an estimated $110 million in new revenue will be allocated to school districts on a per-pupil basis so districts can lower property tax rates; half will be allocated for education services through the school aid formula. Proposition C also mandated a few changes in the foundation program, most significantly the incorporation of a cost-of-education index. It also established a declining enrollment adjustment and a new method for distributing state textbook money.

An interim study committee on education in **Montana,** which met during the summer of 1982, will recommend two bills that would substantially affect the state's system of allocating support for schools. LC 29 would increase the statewide property tax from 25 to 34 mills for elementary districts and from 15 to 21 mills for high school districts. LC 69 would create a new guaranteed tax base program to equalize local ability to supplement the foundation program. The guaranteed tax base program is being recommended to alleviate disparities in revenues per pupil that have widened because districts have differing abilities to raise revenues beyond the foundation program and permissive levy. Action is expected on these measures during the 1983 legislative session.

Last year **Nebraska** increased state aid by $41 million, most of it distributed as property tax relief. In 1982, the state was forced to reduce state allocations to school districts by 2% because state revenues fell short of projections. No new initiatives are planned for the state school finance during fiscal 1983.

During the last six months, a study group has been reviewing the structure of **Nevada's** foundation program. In December the group made preliminary recommendations even though review will continue into the spring of 1983. The group supported minor changes in the foundation program but focused much of its attention on funds outside the foundation program that local school districts raised through local property taxes. The study group recommended that the state become involved in equalizing the ability of districts to generate such funds, but proposed no specific method. This is an important recommendation in light of the possibility that the state will increase the local property tax rates local districts may impose. The current ceiling is five mills.

A school finance case filed early in 1982, **Jesseman v. State of New Hampshire,** has raised the level of interest in state support for education. The case is expected to be heard before the supreme court in May 1983. In the meantime, numerous interest groups and individuals are discussing ways to raise state aid to schools in the 1983 legislative session. Seminars will be held around the state this spring to discuss state tax policy and fiscal incentives for school districts to provide kindergarten.

An interim legislative committee examining revenue reform has recommended full funding of the school foundation formula as a way to reduce the burden of local property taxation. The newly elected governor has indicated that increasing funding of New Hampshire's foundation formula is a priority. The state board of education has recommended doubling state education aid this year. Increased support for special education is also being considered.

New Jersey is currently facing a projected revenue shortfall of between $300 million to $500 million for fiscal year 1984, unless tax increases are initiated, substantial reductions in the state's budget are approved, or some combination of the two is implemented. To date, state aid payments to local school districts have been reduced by 3% to help alleviate a $150 million fiscal 1983 budget deficit. Within this context, the governor, legislature and state department of education are reevaluating the current school finance system. Public hearings likely will be held during the spring to obtain information on problems with the current distribution formula. A major problem is that some school districts do not have the tax base to generate local funds. Thus, the state aid system, designed to equalize local tax yields, does little to help these very poor districts. There has been some consideration of alternative measures of local ability to pay, including an income factor. No specific proposals have been suggested yet.

In 1981 **New Mexico** adopted a property tax reduction to be phased in over a three-year period. However, now that uranium and copper production is down and oil and gas revenues have decreased, some discussion of postponing the third year is likely. The legislature will also look at ways to meet the financial and other needs of small school districts where enrollments are declining.

Current revenue projections place the state revenue shortfall in **New York** at approximately $500 million. During the last legislative session, Governor Carey and the legislature went back and forth on a series of program cutbacks and other revenue-raising or expenditure-saving devices. The main issue that new legislators and the new Governor Mario Cuomo will address is how to close the budget gap. Changes in the state aid formula seem unlikely, given the resources needed to fund formula changes recommended by the regents and of getting the school finance reform issue on the legislative agenda.

North Carolina is another state facing budget balancing problems. The fiscal year 1983 budget deleted the salary increases for teachers with higher levels of education and experience. More recently, the governor notified agency heads to plan for a FY 83 budget cut of 6%, although most observers predict an actual cut of 1% to 4%. The possibility of a $61 million deficit has inhibited action on the 1981 recommendation by a school finance study commission to strengthen the equalization component of the state aid formula, which currently allocates large sums of money on a flat grant basis. A series of other proposals have emerged, however, relating to the governance of elementary/secondary education: (1) allowing the state board to appoint the chief state school officer, who is now an elected official; (2) reducing the number of school districts from 173 to 100; (3) revising state and local funding responsibilities; and (4) developing a differentiated salary schedule for teachers. The state legislature is expected to address each of these proposals during the 1983 session.

An interim legislative committee in **North Dakota** considered a number of formula changes that the legislature is likely to consider during the 1983 session. Among them were modifying the factors currently used to weight for school-size and grade-level and raising the foundation-level guarantee per pupil from $1,425 to $1,591. Unfortunately, depressed oil prices have altered revenue projections for the state's school fund and it is expected that reductions in state support will be forthcoming rather than increases. Now a foundation level of $1,300 to $1,325 per pupil is being discussed. A bill has been introduced that would transfer $25 million from the state's land and minerals trust fund into the general fund to help mitigate a possible deficit. Legislation also has been introduced to require binding arbitration in collective bargaining disputes.

The **Ohio** state legislature passed HB 694 creating a district cost index designed to adjust state aid payments under its foundation program for differences in the costs of providing education services. The index, which is based on U.S. Department of Commerce data that indicate differences in salaries and wage rates among the state's 88 counties, assigns the same factor to all districts in the same county. The bill also eliminated the second tier of the state aid formula that provided a guaranteed dollar per mill per pupil of local tax effort. Finally, the bill gives local school districts the option of raising additional local revenues by enacting a local income tax in lieu of increasing property tax rates. Local voters must approve such measures. This makes Ohio one of only a few states that give school districts the authority to derive revenues from sources other than the local property tax.

Estimates of the budget deficit in **Ohio** currently range from $300 to $400 million, in spite of legislation (SB 530) passed in June 1982 that placed a 25% surcharge on 1982 income tax payments and a 12.5% surcharge on 1983 payments. Approximately $126 million was cut from the budget of the state department of education at that time, most of which would have been allocated to local school districts. Budget reductions have become so commonplace that the state has developed a method of reducing state payments to local districts: the larger

the proportion of basic state aid in local budgets, the smaller the reductions. Governor Elect Richard Celeste has proposed an extension of the income tax surcharge, which is scheduled to expire in March 1983. In the absence of an extension or other tax increases, additional cuts in state aid for schools are likely.

Oklahoma implemented a new pupil-weighted funding scheme in 1981 that employs both a foundation program and guaranteed tax base approach to the allocation of state aid. In the spring of 1982, the legislature pumped $150 million new state dollars into the formula, increasing the foundation level from $616 to $686 per weighted pupil and adding new weighted pupil categories for bilingual education, deaf/blind and special education summer programs. Of the $150 million, $81 million was allocated for teacher salary increases averaging about $2,000 per teacher.

Oregon may face continuing revenue shortfalls even though the state income tax was increased temporarily in March 1982. The governor is currently developing proposals to restructure the state income tax system in the hopes of generating an additional $550 million during the 1983-85 biennium. State support for schools is not expected to increase substantially during that period, however, although the governor has requested revenues to cover 35% of the costs of elementary and secondary education. In November 1982, voters defeated a property tax limitation measure, but by a very narrow margin; it is anticipated that legislation will be developed to provide some form of property tax relief. One proposal already being discussed would freeze property tax rates at existing levels and limit growth in property assessments to 5% a year. Assuming no short-term improvement in the economy and the state's fiscal condition, education policy in Oregon during 1983 is likely to focus on maintaining current service levels in the state's 309 school districts.

State aid for schools in **Pennsylvania** increased by $72 million for the 1982-83 school year. During 1981-82, $1.5 billion was distributed under the state's Basic Instructional Subsidy Formula, which based state aid allocations on a combination of real property wealth, personal income, weighted average daily membership, population density and poverty. The formula for allocating the new money, called the "Equalized Supplement for Student Learning," considers only relative wealth and actual enrollments excluding other factors such as population density or poverty. A number of other issues that were debated in 1982 are likely to receive attention again in 1983. Key among them are proposals regarding property taxes. One proposal discussed last year called for reducing local property taxes and replacing lost revenues with a local income tax. Another proposal called for reforming property tax assessment. There may also be some consideration of a block grant program to distribute state aid for a number of state categorical programs. This issue was raised last year but dismissed in favor of the "Equalized Supplement for Student Learning."

In **Puerto Rico**, one-third of the education budget comes from federal grants-in-aid. Thus, developments at the federal level significantly influence education finance in this U.S. Territory. Officials in Puerto Rico anticipate slight increases in federal funding for special education, vocational education and compensatory education (Chapter 1) programs over fiscal year 1983 levels. Together with an increase in territorial revenues of nearly 20%, no major adjustments are foreseen regarding elementary/secondary education programs. The consolidated education budget for the 1983-84 school year is expected to increase by 13% from $711 million to $804 million.

The primary concerns of the legislature in **Rhode Island** will be ways to increase state revenues. Last year, the governor appointed a special blue ribbon commission to look at the entire tax structure of the state. A report from this commission is expected in late January. No significant action in school finance is anticipated until the report has been thoroughly considered.

South Carolina has been unable to fund its foundation program fully because a downturn in the state's economy has decreased state tax revenues. All school districts were required to reduce their fiscal 1983 budgets by 5%. The Association of School Superintendents is exploring ways to maintain existing programs through cost-saving measures that include a shortened school year, leave without pay for teachers and larger class sizes.

South Dakota may make a number of technical changes in its current state aid formula. Last year, South Dakota formally repealed a pupil-weighted formula enacted in 1977 that was to have taken effect in about 1980. An interim legislative study committee this past summer debated at length whether to retain the current formula (which is a classroom-unit foundation program with no guaranteed tax base above the foundation level), replace it or supplement it. The committee decided that the current formula should remain essentially unchanged, although a bill to change a technical aspect of assessment will be introduced. The current formula uses an assessment/sales ratio to adjust local assessments of property, which range from about 20% of market value to 80%. The new bill will require a minimum assessment level of 75%, to be reached by increasing assessments in 15% increments.

In **Tennessee**, a 27-member blue ribbon committee on education recently submitted its final report to the state legislature. The study examined the nature and adequacy of programs and the methods of providing financial support. The committee concluded that the state's foundation program does not guarantee an equal educational opportunity to all school children.

Among the recommendations suggesting modifications to the state's foundation program for elementary and secondary education are that the state fully fund the necessary costs of a basic education, plan for and establish an improved tax base for the public schools, develop a statewide testing program for all pupils, upgrade teacher certification requirements, raise teacher salaries and pay extra dollars to attract science and math teachers. Legislative consideration of these recommendations is expected during the 1983 session.

For the past two years the **Texas** Education Agency (TEA) has been conducting a study of school finance. A final report should be available for legislative consideration in early January of 1983. One of the major recommendations anticipated addresses teacher salaries and the problem of teacher shortages in key subject areas. A plan is being discussed that compresses the current statewide salary schedule by making all steps one-year steps, substantially increases salaries for beginning teachers and guarantees teachers a minimum raise of $1,600 for each year of the biennium. Another proposal would create a new "impact" formula for school districts with 10,000 students or more. Present statutes contain a special formula adjustment for small schools that cannot operate as efficiently as larger ones. TEA analyses indicate that the state aid system also needs to be made more sensitive to the cost pressures on larger school systems.

In **Utah** a special legislative committee met during the summer to reexamine the methods by which weighted pupil units are assigned to programs for handicapped students and other special programs. Although the committee issued no recommendations, the legislature is expected to consider changing the state aid formula for these programs. Capital outlay continues to be an issue in Utah, where increases in student enrollment have been rapid. Current projections are that K-12 enrollments will increase by 80,000 to 100,000 over the next five years. Revenue problems in fiscal 1983 will limit what the state possibly can do in this area, but the topic is certain to be discussed. One further development: in November 1982, voters approved an amendment allowing the state to exceed the 75% limitation on general aid to school districts, but rising costs and declining revenues make policy makers uncertain that aid will actually exceed that limit.

On April 19, 1982, the **Vermont** General Assembly enacted a new state aid law. PL 170 raises the state sales tax from 3% to 4% and increases the state income tax from 23% to 24% of an individual's federal income tax liability. The combined increases are expected to raise $22.5 million in new revenues for the public schools during the 1982-83 school year, which will bring the state share of total revenues for elementary/secondary education to 38%. The new law also modifies the current distribution formula, most significantly by including an income factor in the measure of local ability to support public schools. The new factor combines a ratio of district median family income/the statewide average median family income with a ratio of district average property wealth/ statewide average property wealth, to determine each district's fiscal capacity to support education programs.

Teacher salaries will be a major issue in **Virginia**. The general assembly is considering a proposal that would provide state funding for one-half of a 10% increase in teacher salaries for each year during the 1983-85 biennium. The increase would be tied to the "Standards of Quality" program, a program mandated by the legislature that prescribes objectives with which local school districts must comply. The state's school aid formula is also tied to these objectives.

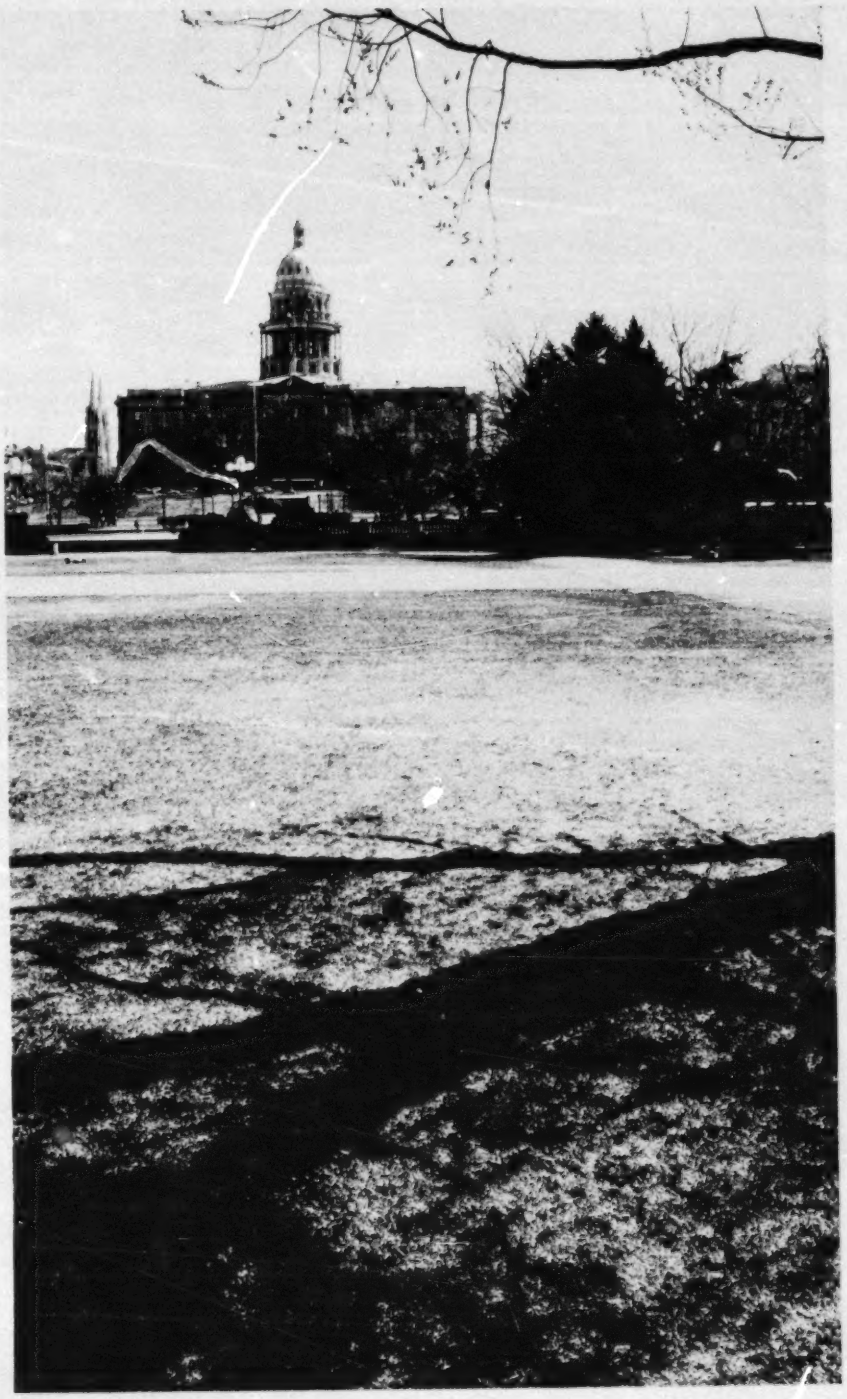
Governor Spellman of **Washington** appointed a tax advisory commission in the fall of 1982. This body has recently recommended a flat income tax with deductions for dependents and other factors. The state has no income tax at present, which has contributed to its fiscal problems. Revenues are expected to fall short of expenditures by $1.38 billion for the 1983-85 biennium if no revenue-generating measures are enacted. The legislature approved a 1.25% decrease in state support for public schools during its 1982 regular session and a 3% reduction during a subsequent special session. The governor has recommended a $350 million increase for the first year of the 1983-85 biennium, which will more than offset recent cuts. In the meantime, a 17-member task force of education, business and legislative interests has been formed to examine state aid for elementary/secondary schools and a wide range of education issues at all levels. Twenty-six school districts and the Washington Education Association have brought suit against the state, challenging its definition of a "basic education" which now excludes special programs for the disadvantaged and the handicapped. If the court finds in favor of the plaintiffs, state support for education could increase dramatically and methods of allocating state aid might change.

West Virginia has been studying alternatives to its current system of school finance in the wake of the court decision in **Pauley v. Bailey** which declared the funding system unconstitutional. In September 1982 the superintendent of public instruction appointed a 99-member advisory commission to respond to the court mandate that required the state produce a master plan for public education. The advisory commission was divided into three subcommittees: one on finance, one on program standards and one on facilities and related services. The program subcommittee developed relatively detailed standards that cover the broad areas of program definition, program delivery and program assurance for more than 30 program areas. While the **Bailey** decision focused almost

exclusively on program inputs, the report of the program subcommittee linked all resource requirements to the development and specification of learner outcomes in all programmatic areas. The finance committee has recommended essentially a full state funding program, using the current staffing formula structure with a statewide salary schedule, but letting the programs standards determine the staffing levels for each county school district. The board of education in December 1982 offered the recommendations of the three subcommittees to the court as a master plan for education. A major issue for the legislature will be the funding requirements for the plan, which could reach an additional $1.5 billion. Both the advisory committee and the court have indicated that a 20-year phase-in period might be needed.

Governor Elect Earl of **Wisconsin** has indicated that he will call the legislature into special session on Jan. 4, 1983, to deal with an estimated $500 million deficit. Issues on the agenda will include extending or making permanent a temporary one-cent sales tax increase and delaying implementation of a $500 million property tax credit program passed during the 1982 legislative session. Issues such as unemployment compensation and collective bargaining are likely to take precedence over school finance issues, although a task force has been formed to examine issues of teacher competence.

Voters in **Wyoming** recently approved an initiative that rolls back local school taxes by six mills and authorizes the state to increase its school tax levy by the same amount. The measure also includes a recapture provision that applies to school districts that raise local revenues in excess of 25% of the foundation level. The extra funds collected by the state through recapture will be redistributed to school districts on the basis of need. The initiative was placed on the ballot in response to a 1981 decision by the Wyoming Supreme Court that the state's school finance system was unconstitutional. The state legislature may consider additional modifications to the state aid system during the 1983 session, although specific proposals have not as yet been developed.



4. School Finance Litigation

Introduction

Since 1968, school finance reform cases have been filed, heard or decided in 27 state courts. Seventeen state high courts have ruled on cases. In eight states, courts found finance systems constitutional; in nine states, courts found them unconstitutional. In four of these nine states (California, Michigan, New Jersey and Washington), cases have recently been reopened – one of many indications that school finance reform litigation continues to evolve.

Early cases were based on the federal equal protection clause, with plaintiffs maintaining that money for education should be dispersed on the basis of education needs not local property wealth. Next to develop was the strategy of "fiscal neutrality." Plaintiffs proposed a negative standard – that differences in expenditures per child could **not** relate to school district property wealth – arguing that, on the basis of the federal equal protection clause, school finance systems created a suspect classification based on property wealth per pupil. These plaintiffs also argued that education was a fundamental right. Later cases were decided not on the basis of the U.S. Constitution but, rather, on equal protection and education clauses in state constitutions. Now, when school finance litigation is well into its 15th year, it clearly has survived many setbacks, overturned inequitable finance systems in many states and helped maintain the momentum of school finance reform. Yet there still is no unified approach to resolving issues of equity. Even where holdings are similar, use and interpretation of the equal protection and education clauses have been quite diverse.

The remainder of this chapter examines further the nature of that diversity through discussion of litigation strategies based on the equal protection clauses, strategies based on state education clauses and the standards that have evolved in litigation.

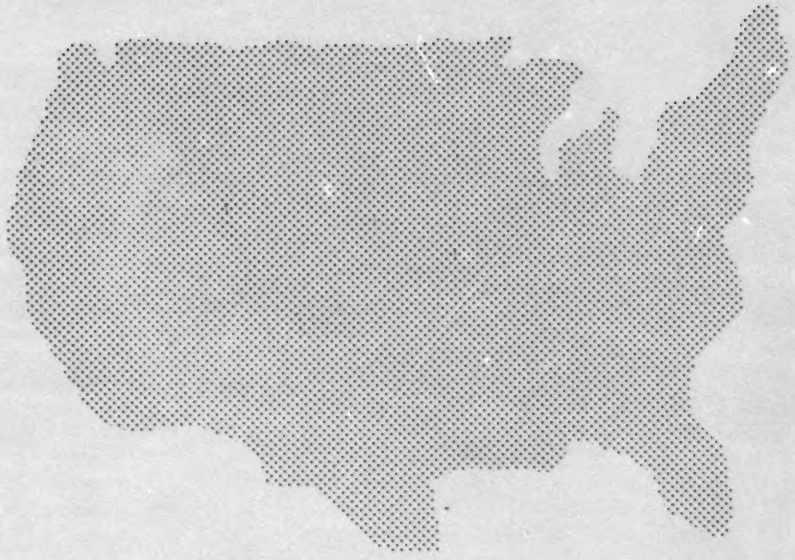


Table 13 lists and categorizes all major cases to date.

Equal Protection

The equal protection clause of the Fourteenth Amendment to the U.S. Constitution provides, in part: "No State shall . . . deny to any person within its jurisdiction the equal protection of the laws." Most state constitutions have equal protection clauses that have been interpreted to guarantee treatment equal to or greater than that guaranteed by the U.S. Constitution. The equal protection clause, though, does not absolutely prohibit unequal treatment: it only prohibits **unjustified** unequal treatment. States may classify citizens and activities or pass laws that have unequal impacts, but the differences must be justified. The justification required depends on the nature of the right or the class of persons affected. When "fundamental" rights or "suspect" classes are affected, strict judicial scrutiny is applied and the state must show that its action relates to a compelling state interest and that no other less discriminatory policy is possible. Other selected rights and persons are measured by an intermediate standard. In these instances, the state must show that its actions or policies further a substantial state interest. In all other instances, the state need show only that its actions have some rationale.

Analysis of Equal Protection by Federal Courts

In federal courts, fundamental rights are those "explicitly or implicitly" guaranteed in the federal constitution. The rights to vote, to contract, to a fair trial, to privacy and of free speech are among those considered fundamental. Since the U.S. Constitution makes no explicit reference to a right to education or to education as a duty of government, school finance plaintiffs attempt to imply a right to an education. They argue that without a right to education, basic constitutional rights such as the right to vote and freedom of speech are simply illusory. When the U.S. Supreme Court ruled in 1973 on the **San Antonio Independent School District v. Rodriguez** case (its only opinion to date on school finance), it rejected this argument and held that

TABLE 13. School Finance Litigation, 1968 — Present

State	State Education Clause	Case Name	Filed	Status: Lower Court	Status: Appeal	Status: State Court	Status: U.S. Supreme Court	Upheld	Overturned: Education Clause	Overturned: Equal Protection
AZ	"The Legislature shall provide for a system of common schools by which a free school shall be established and maintained in every school district for at least six months in each year, ..." Ariz. Const. art. II, sec. 6.	*Shofstall v. Hollins*, 515 P.2d 590 (1973)	1971	1972		1973		yes		
AK	"[T]he State shall ever maintain a general, suitable and efficient system of free schools whereby all persons in the State between the ages of six and twenty-one years may receive gratuitous instruction." Ark. Const. art. 14, sec. 1.	*Alma School Dist. No. 30 of Crawford County, et al. v. Dupree, et al.*, No. 77-406 (Ch. Ct. of Pulaski Cty., Ark., Oct. 26, 1981)	1977	1981					yes	yes
CA	"The Legislature shall provide for a system of common schools by which a free school shall be kept up and supported in each district at least six months in every year . . . ." Cal. Const. art. 9, sec. 5.	*Serrano v. Priest*, 487 P.2d 1241 (1971) (*Serrano I*)	1968			1971				yes
		Serrano v. Priest, 557 P.2d 929 (*Serrano II*) (1976), *reh. denied*, Jan. 27, 1977; *as modified* Feb. 1, 1977 *cert. denied*, 432 U.S. 907 (1977)		1974		1976				
CO	"The general assembly shall, as soon as practicable, provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state, . . ." Colo. Const. art. IX, sec. 2.	*Lujan v. Colorado State Bd. of Educ.*, 649 P.2d 1005 (1982); rehearing denied	1977	1979		1982		yes		
CT	"There shall always be free public elementary and secondary schools in the state." Conn. Const. art. 8, sec. 1.	*Horton v. Meskill*, 172 Conn. 615, 376 A.2d 359 (1976)	1973	1974		1977			yes	yes
FL	"Adequate provision shall be made by law for a uniform system of free public schools . . . ." Fla. Const. art. IX, sec. 1.	*School Bd. of Palm Beach Cty v. Board of Educ.*, No. 82-888-CA-(L)-01-E (2d. Jud. Cir., Tallahassee, Fla.)	1982							
GA	"The provision of an adequate education for the citizens shall be a primary obligation of the State of Georgia, the expense of which shall be provided for by taxation." Ga. Const. art. VIII, sec. I (Ga. Code sec. 2-4901).	*Thomas v. Stewart*, No. 8375 (Sup. Ct. of Polk Cty.), *rev'd in part and aff'd in part sub. nom., McDaniel v. Thomas*, 248 Ga. 632, 285 S.E. 2d 156 (1981)	1974	1981		1981		yes		
ID	"[I]t shall be the duty of the legislature of Idaho to establish and maintain a general, uniform and thorough system of public, free common schools." Idaho Const. art. IX, sec. 1.	*Thompson v. Engleking*, 537 P.2d 635 (*Id.* 1975)	1972	1973		1975		yes		

TABLE 13. (continued)

State	State Education Clause	Case Name	Status: Filed	Lower Court	Appeal	State Court	U.S. Supreme Court	Upheld	Overturned: Education Clause	Equal Protection
IL	"A fundamental goal of the People of the State is the educational development of all persons to the limits of their capacities. The State shall provide for an efficient system of high quality public educational institutions and services . . . . The State has primary responsibility for financing the system of public education." Ill. Const. art. X, sec. 1.	*McInnis v. Shapiro*, 293 F. Supp. 327 (N.D. Ill) (1968), *aff'd sub. nom. McInnis v. Ogelvie*, 394 U.S. 322, (1969)	1968	Fed 1968			1969	yes		
		People v. Adams, 350 N.E. 2d 276 (1976).				1976		yes		
		Blase v. Illinois, 303 N.E. 2d 46 (1973).				1973		yes		
KA	"The legislature shall provide for intellectual, educational, vocational and scientific improvement by establishing and maintaining public schools, ... Kan. Const. art. 6, sec. 1.	*Knowles v. State Board of Educ.*, 547 P.2d 699 (1976).		1975		1976			yes	
		Knowles v. Kansas, No. 77CV251 (Shawnee Dist. Ct. 1981)	1977	1981				yes		
MD	"The General Assembly, . . . shall, by law, establish throughout the state a thorough and efficient system of free public schools." Md. Const. art. VIII, sec. 1.	*Somerset County Board of Education, et al. v. Hornbeck, et al.*, No. A-58438 (Cir. Ct., Baltimore, Md., May 19, 1981)	1979	1981					yes	yes
MA	"[I]t shall be the duty of legislatures and magistrates, in all future periods of this commonwealth, to cherish the interests of literature and the sciences, and all seminaries of them; . . . . public schools and grammar schools in the towns . . . ." Mass. Const. ch. 5 sec. 2.	*Webby v. King*, No. 78-179 (Civil (Sup. Jud. Ct.)	1978							
MI	"The legislature shall maintain and support a system of free public elementary and secondary schools as defined by law. . . ." Mich. Const. art. VIII, sec. 2.	*East Jackson Public Schools v. State of Michigan*, File No. 82-27983-CZ (Jackson Cty. Cir. Court)	1982							
		Milliken v. Green, 203 N.W. 2d 457 (Mich. 1972), *vacated mem.*, 212 N.W. 2d 711 (Mich. 1973)						yes		
NH	"[I]t shall be the duty of the legislators and magistrates, in all future periods of this government, to cherish the interest of literature and the sciences, and all seminaries and public schools . . . ." N.H. Const. art. 83.	*Jesseman v. New Hampshire*, Eq. No. 82-E-038 (Merrimac Cty. Sup. Ct. 1982)	1982							

TABLE 13. (continued)

State	State Education Clause	Case Name	Status: Filed	Lower Court	Appeal	State Court	U.S. Supreme Court	Upheld	Overturned: Education Clause	Overturned: Equal Protection
NJ	"The legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools . . . ." N.J. Const. art. 8, sec. 4.	*Robinson v. Cahill*, 62 N.J. 473, 303 A.2d 273, *cert. denied sub. nom., Dickey v. Robinson*, 414 U.S. 976, (1973) (*Robinson I*); *after remand*, 355 A.2d 129 (1976) (*Robinson II*)	1970	1972		1973			yes	
				1975		1976			yes	
		Abbott v. Burke, No. C-1982-80 (Sup. Ct. N.J., Chancery Div. Mercer Cty. 1982)	1981							
NY	"The legislature shall provide for the maintenance and support of a system of free common schools, wherein all the children of the state may be educated." N.Y. Const. art. 11, sec. 1.	*Board of Education, Levittown v. Nyquist*, 408 N.Y.S. 2d 606 (Nassau Cty. Sup. Ct. 1978); *aff'd*, 443 N.Y.S. 2d 843 (1982); *rev'd*, 453 N.Y.S. 2d 643 (N.Y. 1982) *petition for cert. filed sub. nom., Board of Education, City School District, Rochester v. Nyquist*	1974	1978	1981	1982		yes		
OH	"The general assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state; . . ." Ohio Const. art, XI, sec. 2.	*Board of Education of the City School Dist. of Cincinnati v. Walter*, 390 N.E. 2d 813 (1979), *cert. denied*, 444 U.S. 1015 (1980)	1976	1977		1979	cert. den. 1980	yes		
OK	"The Legislature shall establish and maintain a system of free public schools wherein all children of the state may be educated." Okla. Const. art. 13, sec. 1.	*Fair School Finance Council of Okla. v. Oklahoma*, (Dist. Ct. Ok. City, No. C.J. 80-3294 1981)	1980	1982		on appeal		yes		
OR	"The Legislative Assembly shall provide by law for the establishment of a uniform, and general system of common schools." Or. Const. art. VIII, sec. 3.	*Olsen v. State*, 554 P.2d 139 (or 1976)	1972	1975		1976		yes		
PA	"The General Assembly shall provide for the maintenance of a thorough and efficient system of public education to serve the needs of the Commonwealth." Pa. Const. art. 3, sec. 14.	*Dansen v. Casey*, 484 A.2d 415 (Pa. 1979)	1977	1978		1979		yes		

TABLE 13. (continued)

State	State Education Clause	Case Name	Status: Filed	Lower Court	Appeal	State Court	U.S. Supreme Court	Upheld	Overturned: Education Clause	Overturned: Equal Protection
SD	"[I]t shall be the duty of the legislature to establish and maintain a general and uniform system of public schools wherein tuition shall be without charge, and equally open to all; and to adopt all suitable means to secure to the people the advantages and opportunities of education." S.D. Const. art. VIII, sec. 1.	*Oster v. Kneip* (S.D. Hughes Cty. Cir. Court)	1977							
TX	"[I]t shall be the duty of the legislature of the state to establish and make suitable provision for the support and maintenance of an efficient system of public free schools." Tex. Const. art. VIII, sec. 1.	*San Antonio Independent School District v. Rodriguez*, 411 U.S. 1, 93 S. Ct. 1278, 36 L.Ed. 2d 16 (1973)	Fed 1968	Fed 1969			1973	yes		
WA	"The legislature shall provide for a general and uniform system of public schools." Wash. Const. art. IX, sec. 2.	*Northshore v. Kinnear*, 530 P.2d 178 (Wash. 1974)	1972			1974		yes		
		Seattle Sch. Dist. No. 1 of King County v. State, No. 81-2-1713-1 (Thurston Cty. Superior Ct. 1981)	1977 1981	1977		1978			yes	
WV	"The legislature shall provide, by general law, for a thorough and efficient system of free schools." W. Va. Const. art. XII, sec. 1.	*Pauley v. Kelly*, 255 S.E. 2d 859 (W. Va. 1979), on remand *sub nom Pauley v. Bailey*, C.A. No. 75-126; (Cir. Ct. Kanawha Cty., W. Va., May 11, 1982)		1977 1982		1979			yes	yes
WI	"The legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable; and such schools shall be free and without charge for tuition to all children between the ages of 4 and 20 years; . . ." Wis. Const. art. 10, sec. 3.	*Buse v. Smith*, 74 Wisc. 2d, 550, 247 N.W. 2d 141 (1976)				1976			yes	yes
		Kukor v. Thompson, No. 79-CV-5252 (Dane Cty. Cir. Ct. 1982)	1979	1982						
WY	"The legislature shall provide for the establishment and maintenance of a complete and uniform system of public instruction, embracing free elementary schools of every needed kind and grade, . . ." Wyo. Const. art. 7, sec. 1.	*Washakie Co. Sch. Dist. No. One v. Herschler*, 606 P.2d 310 (Wyo. 1980) *cert. denied*, 449 U.S. 824, 101 S. Ct. 86, 66 L.Ed. 2d 28 (1980)	1978	1979		1980	cert. den. 1980		yes	yes

This chart prepared by Grace Belsches-Simmons, Law and Education Center, Education Commission of the States, ©1983.

education is not a fundamental right under the U.S. Constitution. The court recognized inequities in the Texas system but found "local control" a reasonable explanation. Noting that education is mentioned in nearly all state constitutions, the decision seemed almost to suggest that cases be brought in state courts under state equal protection and education clauses.

Where state policy affects a class of persons, the Supreme Court has recognized only three suspect classes – race, alienage and national origin. In school finance cases, plaintiffs suggest that either "poor students" or "poor school districts" constitute a "suspect" class. This argument also was rejected in **Rodriguez.**

Until recently, tests under the federal equal protection clause have been twofold. The more stringent test, generally known as "strict scrutiny," is applied only when a suspect class or a fundamental right is involved. In such cases, action taken by the state must further some compelling state interest, and the state must demonstrate that it has chosen the least drastic method to achieve this goal. Otherwise, strict equality of treatment is required and state policies that have unequal impacts are found unconstitutional. In only one instance in recent judicial history has the U.S. Supreme Court found a state interest so compelling that infringement of a fundamental right was justified. Where no fundamental right or a suspect class is found, the "rational basis" test is used. Under this test, courts presume the validity of the state action being challenged and the state has only to show that the action is justified by a legitimate state interest. When this test is applied, state action is seldom held unconstitutional.

In recent years, the Court has used, for certain cases, an "intermediate" type of test calling for less-than-strict scrutiny but more than minimal scrutiny. The intermediate test requires the state to show that the classification furthers some substantial state interest. In **Craig v. Boren,** a sex discrimination case, the court noted that only "when concerns sufficiently absolute and enduring can be clearly ascertained from the Constitution and new cases do we employ this standard to aid use in determining the rationality of the legislative choice."

In **Plyler v. Doe,** a case involving the state of Texas' refusal to provide free education to children of illegal aliens, intermediate scrutiny was applied because the policy involved the provision of **education** services and threatened absolute denial of education to children of illegal aliens. In overturning the Texas law, the court applied the intermediate test and asked whether denying education services to these children served a substantial goal of the state. That education was the reason for the "heightened scrutiny" was clear:

> Education provides the basic tools by which individuals might lead economically productive lives to the benefit of us all. In sum, education has a fundamental role in maintaining the fabric of our society. We cannot ignore the significant social costs borne by our Nation when select groups are denied the means to absorb the values and skills upon which our social order rests.

The **Plyler** case raises the question of whether education will receive intermediate scrutiny in cases where deprivation is relative rather than absolute. The first test case for this issue was thought to be **Board of Education,**

City School District, Rochester v. Nyquist. Plaintiffs representing a large urban school district had argued that the intermediate level of scrutiny should be applied, in part, because "[T]he State's below average and reduced school support . . . is contributing to the creation of an uneducated 'subclass' in New York's big cities." Even though the Supreme Court recently declined to review the case, it will undoubtedly be called upon to clarify the implications of its holding in **Plyler.** The clarification could bring plaintiffs in education cases back into federal courts.

Analysis of Equal Protection by State Courts

There are similarities and differences in the analysis of equal protection issues by state and federal courts. The similarities concern the level of scrutiny applied. The differences hinge on what constitutes a fundamental right and who or what constitutes a suspect class. State constitutions may expand on both.

Under the **Rodriguez** test, education would be a fundamental right under most state constitutions because it is mentioned explicitly in the constitution or because the legislature has a mandatory duty to provide education. However, most state courts have refused to follow this simple method for identifying education as a fundamental right. In April 1973, one month after **Rodriguez,** the New Jersey Supreme Court refused to accept this reasoning in the **Robinson v. Cahill** case. More recently, the Colorado Supreme Court ruled (in **Lujan v. Colorado State Board of Education,** 1982) that since the state constitution grants many general powers and duties, the mere mention of a subject in the constitution does not make it a "fundamental right."

Courts finding education to be a fundamental right take a variety of approaches. The Wyoming Supreme Court reviewed constitutional provisions referring to education and concluded that, "[I]n light of the emphasis which the Wyoming Constitution placed on education, there is no room for any conclusion but that education for the children of Wyoming is a fundamental interest." Other courts finding a fundamental right have done so without analysis of why it is fundamental. For example, in **Horton v. Meskill,** the Connecticut Supreme Court said, "[W]e must conclude that in Connecticut the right to education is so basic and fundamental that any infringement of that right must be strictly scrutinized." Courts rejecting education as a fundamental right cite, criticize and reject the **Rodriguez** test, as did the Colorado court. Often these courts cite a policy against judicial intrusion into state policy. Nevertheless, state courts in Arizona, Arkansas, California, Connecticut, Maryland, Washington, West Virginia, Wisconsin and Wyoming have held that education is a fundamental right under the state constitution. All except the Arizona state court subsequently overturned the school finance system.

Plaintiffs also have argued that a school financing system based on property taxes creates a suspect classification based on the property wealth of school districts or of the children in them. Two state high courts have held that school districts constitute a suspect class. The California Supreme Court in **Serrano v. Priest** found that "poor" school districts were a "suspect" class deserving the highest level of scrutiny, despite the absence of the traditional measures of suspectness. The California court found that:

> [D]iscrimination on the basis of district wealth is . . . invalid. To allot more educational dollars to the children of one district than to those of another merely because of the fortuitous presence of . . . property is to make the quality of a child's education dependent upon the location of private commercial and industrial establishments. Surely this is to rely on the most irrelevant of factors as the basis for educational financing.

The Wyoming Supreme Court in **Washakie County School Dist. No. 1 v. Herschler** also found that school districts constitute a suspect class.

Most state courts have rejected the suspect-class argument, however, finding the traditional requirements of a suspect class were not met by "property poor" students or school districts. Generally, state courts hold that a "suspect" class must be an insular group, readily identifiable, and subject to purposeful unequal treatment by the state. Court holdings against the suspect-class

argument have been bolstered by the fact that plaintiffs never demonstrate that "low income" children live in "property-poor" districts.

The result in state courts where no fundamental right or suspect class is found is the same as in the federal courts: minimal scrutiny is used and the school finance structure is held constitutional.

State Education Clauses

Interpretation of education clauses in state constitutions is an additional and important aspect of school finance reform litigation. In federal courts, state education clauses have been used only to support the fundamental right argument under the equal protection clause. In state courts, though, plaintiffs have also used the education clause to argue that disparities in expenditures among school districts that result in unequal education for children who reside in property-poor school districts are unconstitutional. Essential to this argument is a finding that the education clause places qualitative demands on the legislature -- demands that can be measured quantitatively.

State courts have followed at least three different approaches in their rulings on the education clause. In the first approach, courts look to the language of the education clause to determine whether the legislature has an explicit, **affirmative** duty to provide more than merely "a" system of public-supported education. When the New Jersey court in **Robinson v. Cahill** ruled that disparities in local spending violated the state education clause, it found that the "thorough and efficient" mandate created an affirmative duty to insure statewide equal educational opportunity for children. The Georgia court in **McDaniel v. Thomas** employed the same approach, but used the Georgia constitutional provision requiring an "adequate education" to reach a different conclusion: "[W]e believe that the absence of any provision imposing an affirmative duty on the General Assembly to equalize educational opportunities is of constitutional significance," it wrote, and upheld the state system.

In the second approach, courts focus on the qualitative demands of the education clause. West Virginia's high court in **Pauley v. Kelley** held that the qualitative demands of the "thorough and efficient" education clause required the legislature to ensure that local school districts or the children in them receive substantively equal educational programs and services. Other state courts construe the qualitative terms to include only a basic education, reasoning that to include more would be to invade the legislative domain. These courts rely on the rule that "every statute is presumed constitutional unless proven [otherwise] beyond a reasonable doubt." For example, the Colorado Supreme Court found that the state's "thorough and uniform" requirement was met when the state provided an educational program in each district. The court concluded that the inequities existed because of varying local effort, not because of state action, and this was constitutionally permissible.

In the third approach, courts review the requirements of the education clause and ask whether the finance system effectively deprives the plaintiffs of an education. These courts generally hold that the constitution requires the state to provide only a basic education -- and that anything beyond that minimum is rightfully contingent on the willingness of voters in the local school district to tax themselves. When this interpretation is used, the school finance system is usually upheld. For example, the New York Constitution requires "a system of free common schools." The Court of Appeals of New York concluded that under this provision "if what is made available by this system . . . may properly be said to constitute an education, the constitutional mandate is satisfied."

Standards

There has been more evolution in the standards courts used to determine whether systems meet the constitutional mandate than in other areas of school finance litigation. They now use three types of standards: (1) fiscal neutrality, (2) equal inputs (equal expenditures or equal programs and services) and (3) equal outputs (student achievement). Clearly, the first is much easier to satisfy than the second and the second much easier than the third.

Fiscal Neutrality

Fiscal neutrality is a negative standard. Its classical definition is that expenditures per pupil should not be systematically related to school district property wealth per pupil. It is a standard used to greater or lesser degree in all school finance cases. To meet a fiscal neutrality standard, a state would need, at a minimum, a school finance structure requiring that equal tax effort among school districts yields equal money per pupil from state and local sources for the schools. Courts in Arkansas, California and Connecticut have most unambiguously adopted this standard.

Equal Inputs—Expenditures

Another standard, one adopted by the Wyoming Supreme Court, is that its state constitution requires equal expenditures per pupil statewide. In **Washakie v. Herschler**, the Wyoming Supreme Court wrote:

> Equality of dollar input is manageable. There is no other viable criterion or test. . . . It is nothing more than an illusion to believe that the extensive disparity in financial resources does not relate directly to quality of education.
>
> It is our view that until equality of financing is achieved, there is no practicable method of achieving equality of quality. . . . [W]hatever system is adopted by the legislature, it must not create a level of spending which is a function of wealth other than the wealth of the state as a whole.

The Wyoming standard tolerates virtually no expenditure variations – whether caused by wealth or varying local tax efforts. Some interpret the **Serrano** standard, which requires that wealth-related variations in spending not differ from the average by more than $100 per pupil, as an equal-spending requirement. A circuit court in Maryland also applied an equal-expenditures standard in **Somerset County Board of Education v. Hornbeck.** The case is now on appeal.

On the other hand, neither of these states nor states requiring just fiscal neutrality fashion systems that allow no variance in expenditures. All courts accept the provisions in state formulas that compensate for special student needs, and in some cases for special district circumstances such as high cost or geographical isolation.

Equal Inputs—Programs and Services

The most recent standard used in a school finance case concentrates on inputs, as do nearly all preceding cases, but emphasizes that achievement of equal educational opportunity can be achieved only through the provision of equivalent education programs and services even if this requires unequal expenditures per pupil. The West Virginia Supreme Court fashioned this remedy in **Pauley v. Kelley.** It has since been detailed greatly by the district court in **Pauley v. Bailey.**

The standard requires the state to measure "equality in substantive educational offerings and results. . . . The state has a legal duty to provide equal educational opportunities by allocating resources to counties according to criteria substantially related to educational needs and costs." The district court decision holds that "all direct and indirect costs of the educational program must be fully included in the state financing structure, i.e., curriculum costs, instructional, support and administrative staff salaries, benefits, supplies, and equipment costs and facility costs." This case, in a sense, brings school finance litigation full circle, **back** to a needs standard as argued in the earliest cases and **forward** to a focus on the entire substance of state education policy rather than on fiscal equity alone.

Equal Outcomes

The New Jersey court in **Robinson I** described a remedy which at first glance seems to be an equal inputs standard. The court expressed concern that variations in dollar input per pupil created unconstitutional discrepancies in the education services provided by school districts. The court decision, however, raised a series of issues concerning the impact of the finance and education system, suggesting that the state's "thorough and efficient" clause required adequate preparation of each student to compete in the labor market. The standard has emphasized statewide student achievement, teacher competence, and excellence in facilities and programs.

The standard seeks overall equity in outcomes, which cannot be achieved through equal expenditures. Thus in New Jersey, "[E]ach school district must be examined as a separate unit. . . . The configuration of the components . . . considered both qualitatively and quantitatively, that will produce a sufficiently fine educational opportunity in one district, will inevitably be different from that required in others." Two events signal change in New Jersey. First, **Abbott v. Burke,** now in the state's lower court, will reopen many of the **Robinson** issues. Second, both the new governor and the new commissioner of education have indicated their desire to change the method – both educational and financial – of meeting the "thorough and efficient" requirements.

Two other state courts have adopted the "outcomes" approach: the Washington Supreme Court in **Seattle School District No. 1 v. Washington** and the Chancery Court in Arkansas in **Alma School District No. 30 v. Dupree.** The Washington court required the legislature to define an "ample" education program and to fully fund it "through dependable and regular tax sources." The anemic Washington economy has made this latter requirement difficult to meet, and the case has been taken back to court. In Arkansas the court ruled that:

> The current method of school financing . . . , fails to provide all students in Arkansas equal access to the opportunities which should be afforded under a general, suitable and efficient system of free public schools, and it improperly denies equal educational opportunities to pupils in poor school districts.

Conclusion

School finance litigation has evolved substantially in the past 15 years. More than half the states have faced suits challenging their finance systems, the issues raised have increased in number and complexity, new suits are filed constantly, and old suits are being

reopened. In 1973 when the **Rodriguez** decision was rendered, soothsayers predicted the end of school finance litigation, but they were wrong. The same predictions are heard today in the aftermath of decisions in Colorado, Georgia and New York that accepted as constitutional, school finance systems with obvious inequities. But these predictions, too, will be wrong: school finance litigation is a reality most state policy makers will face, either directly or indirectly, as courts continue to play a role in education policy.

References

The asterisked (*) items in each category provide brief overviews for the particular issues.

General Context

Adams, E. Kathleen. *A Changing Federalism: The Condition of the States.* Denver, Colo.: Education Commission of the States, 1982.

Garms, Walter and Michael Kirst. "The Political Environment of School Finance Politics in the 1980s," in *School Finance Policies and Practices, the 1980s: A Decade of Conflict,* ed. by James W. Guthrie. Cambridge, Mass.: Ballinger Publishing Co., 1980.

Gold, Steven and Karen Benker. "State Fiscal Conditions Entering 1983," Legislative Finance Paper No. 35, Denver, Colo.: National Conference of State Legislatures, January 1983.

Naisbitt, John. *Megatrends: Ten New Directions Transforming Our Lives.* New York: Warner Books, 1982.

School Finance Project. *The Prospects for Financing Elementary/Secondary Education in the States.* Washington, D.C.: The National Institute of Education, December 1982.

School Finance Equity

Augenblick, John and C. Kent McGuire. "Changes in the Equity of School Finance Systems in Oklahoma, Delaware and Alaska," *Journal of Education Finance,* forthcoming.

Berne, Robert and Leanna Stiefel. "A Methodological Assessment of Education Equality and Wealth Neutrality Measures," Paper No. 17. Denver, Colo.: Education Commission of the States, July 1978.

Berne, Robert and Leanna Stiefel. "The Measurement of Equity in School Finance With an Expenditure Disparity Measure," Paper No. 19. Denver, Colo.: Education Commission of the States, November 1978.

Berne, Robert and Leanna Stiefel. "School Finance Reform: Optimistic Findings," Working Paper No. 16. New York: New York University, Public Policy Research Institute, June 1979.

Berne, Robert and Leanna Stiefel. "Taxpayer Equity in School Finance Reform: The School Finance and Public Finance Perspective," *Journal of Education Finance,* vol. 5, no. 1, Summer 1979.

*Berne, Robert and Leanna Stiefel. "Concepts of Equity and Their Relationship to State School Finance Plans," *Journal of Education Finance,* vol. 5, no. 2, Fall 1979.

Carroll, Stephen J. "The Search for Equity in School Finance," in *Financing Education,* eds. Walter McMahon and Terry Geske. Urbana, Ill.: University of Illinois Press, 1982.

Garms, Walter. "Measuring the Equity of School Finance Systems," *Journal of Education Finance,* vol. 4, no. 4, Spring 1979.

Hickrod, G. Alan, Ben C. Hubbard, Ronald S. Halinski and David P. Schmink. "Conditional Wealth Neutrality as a School Finance Equity Criterion in Illinois." Normal, Ill.: Center for the Study of Educational Finance, Department of Education, Administration and Foundations, College of Education and the Graduate School, Illinois State University, October 1979.

Hickrod, G. Alan, Ramesh Chaudhari and Ben Hubbard. *Equity Goals in Illinois School Finance: 1973-1979.* Normal, Ill.: Illinois State University, February 1979.

Hickrod, G. Alan et al. *Equity Measurements in School Finance in Indiana, Iowa and Illinois.* Normal, Ill.: Illinois State University, May 1980.

Johns, Thomas L. and Dexter A. Magers. "Measuring the Equity of State Finance Programs," *Journal of Education Finance,* vol. 3, no. 4, Spring 1978.

McDonald, M. Brian. "Educational Equity and the Fiscal Incidence of Public Education," *National Tax Journal,* vol. 33, no. 1, March 1980.

Odden, Allan. "State and Federal Pressures for Equity and Efficiency in Education Financing," Paper No. 21. Denver, Colo.: Education Commission of the States, April 1979.

*Odden, Allan, Robert Berne and Leanna Stiefel. *Equity in School Finance.* Denver, Colo.: Education Commission of the States, October 1979.

School Finance Reform

Adams, E. Kathleen and Allan Odden. "The Relationship Between Property Tax Assessments, Tax Burdens and Missouri School Finance, and the Ecuity Impacts of the 1977 Reform," Report to the School Finance Study Committee of the State Board of Education. Denver, Colo.: Education Commission of the States, November 1980.

Alexander, Kern. *Educational Equity: Improving School Finance in Arkansas.* Gainesville, Fla.: Institute of Educational Finance, 1978.

Augenblick, John and E. Kathleen Adams. *An Analysis of the Impact of Changes in the Funding of Elementary/Secondary Education in Texas.* Denver, Colo.: Education Commission of the States, April 1979.

Augenblick, John, Robert Palaich, Kent McGuire and E. Kathleen Adams. *An Evaluation of Oklahoma's School Aid Formula: Policy Issues and Recommendations Related to H.B. 1236.* Denver, Colo.: Education Commission of the States, January 1982.

Berne, Robert and Leanna Stiefel. "The Equity of School Finance Systems Over Time: The Value Judgments Inherent in Evaluation," *Educational Administration Quarterly,* vol. 15, no. 2, Spring 1979.

Brischetto, Robert R., Gen. Ed. *Minorities, the Poor and School Finance Reform* (nine volumes). San Antonio, Tex.: Intercultural Development Research Association, 1979.

Brown, Lawrence et al. "School Finance Reform in the Seventies: Achievements and Failures," *Journal of Education Finance*, vol. 4, no. 2, Fall 1978.

*Callahan, John and William Wilken, eds. *School Finance Reform: A Legislator's Handbook.* Washington, D.C.: National Council of State Legislators, 1976.

Cambron-McCabe, Nelda and Allan Odden, eds. *The Changing Politics of School Finance.* Cambridge, Mass.: Ballinger Publishing Co., 1982.

Carroll, S. J., M. Cox and W. Lisowski. *The Search for Equity in School Finance: Results From Five States.* Santa Monica, Calif.: The Rand Corporation, March 1979.

Elmore, Richard and Milbrey McLaughlin. *Reform and Retrenchment: The Politics of California School Finance Reform.* Cambridge, Mass.: Ballinger Publishing Co., 1982.

Ginsberg, Alan and Jay Moskowitz. "Achieving Equity: Sources of Change in State School Finance in the 1970s," paper presented at the 5th Annual Conference of the American Education Finance Association, March 1980.

Goertz, Margaret. *Money and Education: The Hard Choices Ahead.* Princeton, N.J.: Education Policy Research Institute, Educational Testing Service, December 1981.

Goertz, Margaret, Jay Moskowitz and Judy Sinkin. *Plain Talk About School Finance.* Washington, D.C.: National Institute of Education, May 1978.

Guthrie, James W. "Should Financial Support of Public Schools Be Assumed Completely by States? (In the Negative)," *Educational Evaluation and Policy Analysis*, vol. 2, no. 1, January-February 1980.

Guthrie, James W., ed. *School Finance Policies and Practices, The 1980s: A Decade of Conflict.* Cambridge, Mass.: Ballinger Publishing Co., 1980.

Hansen, W. Lee and F. Howard Nelson. "Impacts of the 1973 Wisconsin School Finance Reform," *Selected Papers in School Finance, 1978.* Washington, D.C.: U.S. Office of Education, 1979.

Harrison, William et al. "The Distributional Effects of Various Guarantees Under S.B. 59 on State Basic Aid to Ohio Public School Districts, FY 80." Report to the Education Review Committee of the Ohio General Assembly, January 1980.

Jordon, K. Forbis and Nelda H. Cambron-McCabe, eds. *Perspectives in State School Support Programs.* Cambridge, Mass.: Ballinger Publishing Co., 1981.

Journal of Education Finance, "Equity of School Finance Programs," vol. 3 (entire volume), no. 4, Spring 1978.

McGuire, Kent and Patty Flakus. "School Finance at a Sixth Glance." Denver, Colo.: Education Commission of the States, 1981.

McMahon, Walter and Terry G. Geske, eds. *Financing Education.* Urbana, Ill.: University of Illinois Press, 1982.

Mosher, Edith K., Anne H. Hastings and Jennings L. Wagoner. "Beyond the Breaking Point? A Comparative Analysis of the New Activists for Educational Equality," *Educational Evaluation and Policy Analysis*, vol. 3, no. 1, January/February 1981.

Odden, Allan. *School Finance Reform in the States: 1981.* Denver, Colo.: Education Commission of the States, January 1981.

Odden, Allan and John Augenblick. *School Finance Reform in the States: 1980.* Denver, Colo.: Education Commission of the States, April 1980.

*Odden, Allan, C. Kent McGuire and Grace Belsches-Simmons. *School Finance Reform in the States: 1983.* Denver, Colo.: Education Commission of the States, January 1983.

Odden, Allan, Robert Palaich and John Augenblick. "Analysis of the New York State School Finance System, 1977-78." Denver, Colo.: Education Commission of the States, September 1979.

Odden, Allan and Phillip Vincent. *Analysis of the School Finance and Tax Structure of Missouri.* Denver, Colo.: Education Commission of the States, October 1976.

Odden, Allan and Phillip Vincent. *Report of the Task Force on School Finance of the South Dakota State Board of Education.* Denver, Colo.: Education Commission of the States, November 1977.

Sherman, Joel D. and Pamela S. Tomlinson. "The Impact of School Finance Reform on Minorities: A Study of Seven Southern States," *Journal of Law and Education*, vol. 9, no. 3. July 1980.

Fiscal Response

Adams, E. Kathleen. "Fiscal Response and Capacity of New York School Districts." Report to the New York State Task Force on Equity and Excellence in Education. Denver, Colo.: Education Commission of the States, October 1979.

*Adams, E. Kathleen. *Analysis and Comparison of Fiscal Response in Four States.* Denver, Colo.: Education Commission of the States, 1980a.

*Adams, E. Kathleen. *Fiscal Response and School Finance Simulation: A Policy Perspective.* Denver, Colo.: Education Commission of the States, 1980b.

Adams, E. Kathleen. "An Analysis of Teacher Salaries and Fiscal Response of School Districts in Delaware: 1975-76 to 1979-80." Denver, Colo.: Education Commission of the States, March 1980.

Akin, John S. and Gerald E. Auten. "City Schools and Suburban Schools: A Fiscal Comparison," *Land Economics*, vol. 52, no. 4, November 1976.

Barro, Stephen M. *Theoretical Models of School District Expenditure Determination and the Impact of Grants in Aid*, R-867-FF. Santa Monica, Calif.: The Rand Corporation, February 1972.

Black, David, Kenneth A. Lewis and Charles Kink. "Wealth Neutrality and the Demand for Education," *National Tax Journal*, vol. 32, no. 2, June 1979.

Carroll, Stephen. *The Search for Equity in School Finance: Michigan School District Response to a Guaranteed Tax Base*, R-2393-NIE/HEW. Santa Monica, Calif.: The Rand Corporation, March 1979.

Gatti, James F., Leonard J. Tashman and Jonathan K. Sweet. "The Wealth Neutrality of District Power Equalizing Grants in Public School Financing: Additional Evidence," *Journal of Education Finance*, vol. 4, no. 2, Fall 1978.

Feldstein, Martin. "Wealth Neutrality and Local Choice in Public Education," *American Economic Review*, vol. 65, no. 1, March 1975.

Grubb, W. Norton and Stephen Michelson. *States and Schools: The Political Economy of School Finance*. Lexington, Mass.: Lexington Books, 1974.

Ladd, Helen. "Local Education Expenditures, Fiscal Capacity and the Composition of the Property Tax Base," *National Tax Journal*, vol. 28, no. 2, June 1975.

Ladd, Helen. "State-Wide Taxation of Commercial and Industrial Property for Education," *National Tax Journal*, vol. 29, no. 2, June 1976.

Lovell, Michael C. "Spending for Education: The Exercise of Public Choice," *The Review of Economics and Statistics*, vol. LX, no. 4, November 1978.

Slack, Enid. "Local Fiscal Response to Intergovernmental Transfers," *The Review of Economics and Statistics*, vol. 62, no. 3, August 1980.

Tsang, Mun C. and Henry Levin. *The Impact of Intergovernmental Grants on Educational Spending*, Project Report No. 82-A14, Stanford, Calif.: Institute for Research on Educational Finance and Governance, Stanford University, July 1982.

Vincent, Phillip. *Alternative Measures of Fiscal Capacity of School Districts in California*. Denver, Colo.: Education Commission of the States, January 1979.

Vincent, Phillip and E. Kathleen Adams. *Fiscal Responses of School Districts: A Study of Two States – Colorado and Minnesota*. Denver, Colo.: Education Commission of the States, October 1978.

Cost-of-Education Indices

Antos, Joseph R. and Sherwin Rosen. "Discrimination in the Market for Public School Teachers," *Journal of Econometrics*, vol. 3, no. 3, 1975.

Augenblick, John and E. Kathleen Adams. *An Analysis of the Impact of Changes in the Funding of Elementary/Secondary Education in Texas: 1974-75 to 1977-78*, Chapter 4. Denver, Colo.: Education Commission of the States, 1979.

*Barro, Stephen. *Educational Price Indices: A State-of-the-Art Review*. Washington, D.C.: AUI Policy Research, March 1981.

Boardman, Anthony E., Linda Darling-Hammond and Stephen P. Mullin. "A Framework for the Analysis of Teachers' Demand and Supply," *Economics of Education Review*, vol. 2, no. 2, Spring 1982.

Brazer, Harvey. "Adjusting for Differences Among School Districts in the Costs of Education Inputs: A Feasibility Report," *Selected Papers in School Finance, 1974*. Washington, D.C.: U.S. Department of Health, Education and Welfare, Office of Education, 1975.

Brazer, Harvey and Ann P. Anderson. "A Cost Adjustment Index for Michigan School Districts," *Selected Papers in School Finance, 1975*. Washington, D.C.: U.S. Department of Health, Education and Welfare, Office of Education, 1975.

Chambers, Jay G. "An Analysis of Education Costs Across Local School Districts in the State of Missouri, 1975-76," Paper No. 7. Denver, Colo.: Education Commission of the States, 1978.

Chambers, Jay G. "The Development of a Cost of Education Index: Some Empirical Estimates and Policy Issues." Stanford, Calif.: Institute for Research on Educational Finance and Governance, Stanford University, August 1979.

Chambers, Jay G. *Educational Cost Differentials Across School Districts in California*. Denver, Colo.: Education Commission of the States, 1978.

Chambers, Jay G. *The Hedonic Wage Technique as a Tool for Estimating the Costs of School Personnel: A Theoretical Exposition With Implications for Empirical Analysis*, Project Report No. 70-A14. Stanford, Calif.: Institute for Research on Educational Finance and Governance, Stanford University, 1979.

Chambers, Jay G., Allan Odden and Phillip E. Vincent. *Cost-of-Education Indices Among School Districts: An Application to the State of Missouri*. Denver, Colo.: Education Commission of the States, 1976.

Chambers, Jay G. and Phillip E. Vincent. *Analysis and Development of a Cost-of-Education Index for Use in the Florida Education Finance Program*, vols. I and II. Menlo Park, Calif.: SRI International, 1981.

Fox, James N. "Cost-of-Living Adjustments: Right Intent, Wrong Technique," *Phi Delta Kappan*, April 1975.

Frey, Donald. *The Determinants of Teachers Salaries in New Jersey*. Washington, D.C.: National Urban Coalition, 1978.

Furno, Orlando F. and James M. Gaughan. "An Analysis and Evaluation of Regional Cost of Education Indices for New York State," Study No. 5, New York State School Finance Law Study Project, 1978.

Grubb, Norton W. and James Hyman. "Constructing Teacher Cost Indices: Methodological Exploration With California Unified School Districts," *Selected Papers in School Finance, 1975*. Washington, D.C.: U.S. Department of Health, Education and Welfare, Office of Education, 1975.

Gustman, James and Martin Segal. "Teachers Salary Structures – Some Analytical and Empirical Aspects of the Impact of Collective Bargaining," Indiana Relations Research Associations' *Proceedings*, Thirtieth Annual Meeting, Madison, Wis.:

Industrial Relations Research Association, 1978.

Hyman, James. "Cost of Education Indices: Alternative Methods, Issues and Answers," Unpublished doctoral dissertation, Stanford University, 1977.

Kenny, Lawrence W., David Denslow Jr. and Irving Goffman. "Measuring Differences Among the Florida School Districts in the Cost of Education: An Alternative Approach," *Selected Papers in School Finance, 1975.* Washington, D.C.: U.S. Department of Health, Education and Welfare, Office of Education, 1975.

Killalea Associates, Inc. "A Cost of Education Index: Methodological Considerations," report submitted to the National Center for Education Statistics, 1977.

Loatman, Bruce. "A Cost of Education Index: Methodological Considerations," report submitted to the National Center for Education Statistics, 1977.

Loatman, Bruce G. "Theory and Development of Education Price Indices for the Public Schools," report submitted to the National Institute of Education, 1980.

Rosen, Sherwin. "Hedonic Prices and Implicit Markets: Product Differentiation in Pure Competition," *Journal of Political Economy*, vol. 82, no. 1, January/February 1974.

Rosenthal, Alvin, Jay Moskowitz and Stephen Barro. *Developing a Maryland Cost of Education Index.* Washington, D.C.: AUI Policy Research, July 1981.

Simmons, James C. "Florida Cost of Living Research Study: Florida Counties Price Level Index (FLP)," report to the Florida Legislature, June 1973.

Simmons, James C. "Comments on Cost-of-Living Adjustments in School Finance," *Phi Delta Kappan,* October 1975.

Stiefel, Leanna and Robert Berne. "Price Indexes for Teachers in Michigan: A Replication and Extension," Working Paper No. 23, Public Policy Research Institute, New York University, 1980.

Wendling, Wayne. "The Cost-of-Education Index: Measurement of Price Differences of Education Personnel Among New York State School Districts," *Journal of Education Finance,* vol. 6, no. 4, Spring 1981.

Wendling, Wayne and James J. Kloss. "A Cost of Education Index," Working Paper No. 40. Denver, Colo.: Education Commission of the States, August 1980.

Special Populations

Bernstein, Charles D. et al. *Financing Educational Services for the Handicapped: An Analysis of Current Research and Practices.* Reston, Va.: Council for Exceptional Children, 1976.

Bernstein, Charles D. et al. "Major Policy Issues in Financing Special Education," *Journal of Education Finance,* vol. 1, no. 3, Winter 1976.

Bureau of Education for the Handicapped. *Progress Toward a Free Appropriate Public Education.* Washington, D.C.: Bureau of Education for the Handicapped, U.S. Office of Education, January 1979.

Gray, Tracy C. et al. *The Current Status of Bilingual Education Legislation.* Washington, D.C.: Center for Applied Linguistics, January 1981.

Hartman, Peggy L. et al. *Special Education Planning Model: User Guide.* Palo Alto, Calif.: Management Analysis Center, 1978.

Hartman, William T. *Estimating the Costs of Educating Handicapped Children: A Resource-Cost Model Approach.* Washington, D.C.: U.S. Office of Education, Bureau of Education for the Handicapped, 1979.

Hartman, William T. "Policy Effects of Special Education Funding Formulas," Program Report No. 80-81. Stanford, Calif.: Institute for Research on Educational Finance and Governance, Stanford University, January 1980.

Hodge, Margaret. *State Financing of Special Education.* Washington, D.C.: Department of Health, Education and Welfare, August 1979.

Kakalik, James S. "Issues in the Cost and Finance of Special Education," *Review of Research in Education,* vol. 7. Washington, D.C.: American Educational Research Association, 1979.

*Kakalik, James S. et al. *The Cost of Special Education.* Santa Monica, Calif.: The Rand Corporation, November 1981.

*Leppert, Jack and Dorothy Routh. *A Policy Guide to Weighted Pupil Education Finance Systems: Some Emerging Practical Advice.* Washington, D.C.: National Institute of Education, September 1979.

*McGuire, C. Kent. *State and Federal Programs for Special Student Populations.* Denver, Colo.: Education Commission of the States, April 1982.

McLure, William. "Alternative Methods of Financing Special Education," *Journal of Education Finance,* vol. 1, no. 1, Summer 1975.

McLure, William. "Pupil Weightings," *Journal of Education Finance,* vol. 2, no. 1, Spring 1976.

Marriner, Leigh S. "The Cost of Educating Handicapped Pupils in New York City," *Journal of Education Finance,* vol 3, no. 1, Summer 1977.

*Moore, Mary T. and Richard Holland. *Finetuning Special Education Finance: A Guide for State Policymakers.* Washington, D.C.: Education Policy Research Institute, July 1982.

Morra, Linda. *Disparities Still Exist in Who Gets Special Education.* Washington, D.C.: U.S. General Accounting Office, September 1981.

National Association of State Directors of Special Education. *State Profiles in Special Education.* Washington, D.C.: National Association of State Directors of Special Education, 1977.

Odden, Allan and C. Kent McGuire. "Financing Educational Services for

Special Populations: The State and Federal Roles." Denver, Colo.: Education Commission of the States, May 1980.

Price, M. and L. Goodman. "Individualized Education Programs: A Cost Study," *Exceptional Child*, vol. 46, March 1980.

Rossmiller, Richard et al. "Educational Programs for Exceptional Children: Resource Configurations and Costs," *Planning to Finance Education*. Gainesville, Fla.: National Education Finance Project, 1971.

Rossmiller, Richard and Lloyd E. Frohreich. *Expenditures and Funding Patterns in Idaho's Programs for Exceptional Children*. Boise, Idaho: Idaho Department of Education, March 1979.

Sjogren, June Huseby. "An Analysis of Title I Costs at the District Level," *Journal of Education Finance*, vol. 5, no. 2, Fall 1979.

Stultz, James R. "The Incidence of Educational Needs and the Cost of Meeting These Needs in the United States in 1980," *Journal of Education Finance*, vol. 1, no. 3, Winter 1976.

Wilken, William H. and David Porter. *State Aid for Special Education: Who Benefits?* Washington, D.C.: National Institute of Education, December 1977.

Capitalization

*Gurwitz, Aaron S. *School Finance Capitalization*, N-1312-FF. Santa Monica, Calif.: The Rand Corporation, January 1980.

Gurwitz, Aaron S. "The Capitalization of School Finance Reform," *Journal of Education Finance*, vol. 5, no. 3, Winter 1980.

Newachek, P.W. "Capitalization: The Price of School Finance Reform," *Policy Analysis*, vol. 5, no. 1, Winter 1979.

Oates, W. E. "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis," *Journal of Political Economy*, vol. 77, no. 6, November/December 1969.

Oates, W. E. "The Effects of Property Taxes and Local Public Spending on Property Values: A Reply and Yet Further Results," *Journal of Political Economy*, vol. 81, no. 4, July August 1973.

Vincent, Phillip E. and Raymond M. Reinhard. *Tax Burden Distribution and Property Tax Capitalization in School Districts in California*. Denver, Colo.: Education Commission of the States, March 1979.

*Wendling, Wayne. "Capitalization: Considerations for School Finance," *Educational Evaluation and Policy Analysis*, vol. 3, no. 2, March-April 1981.

Education Tax Burdens

*Aaron, Henry. *Who Pays the Property Tax?* Washington, D.C.: The Brookings Institution, 1975.

deSeve, Charles. "Who Bears the Costs of New York's Schools: Measuring the Tax Burden," report to the New York State Task Force on Equity and Excellence in Education, November 1979.

Goode, Richard. *The Individual Income Tax*. Washington, D.C.: The Brookings Institution, 1976.

Ihlanfelt, Keith Ray. "The Incidence of the Property Tax on Homeowners: Evidence From the Panel Study on Income Dynamics," *National Tax Journal*, vol. 32, no. 4, December 1979.

McClure, Charles. "The 'New View' of the Property Tax: A Caveat," *National Tax Journal*, vol. 30, no. 1, March 1977.

Netzer, Dick. *Economics of the Property Tax*. Washington, D.C.: The Brookings Institution, 1966.

Netzer, Dick. "The Incidence of the Property Tax Revisited," *National Tax Journal*, vol. 26, no. 4, December 1973.

*Odden, Allan and Phillip Vincent. *The Regressivity of the Property Tax*. Denver, Colo.: Education Commission of the States, December 1976.

Peckman, Joseph and Benjamin Okner. *Who Bears the Tax Burden?* Washington, D.C.: The Brookings Institution, 1974.

Pennsylvania (State of), General Assembly of the Commonwealth of Pennsylvania, Joint State Government Commission. *Local School Tax Reform: A Proposal to Reduce Property and Nuisance Taxes*. Harrisburg, Penn., April 1980.

*Phares, Donald. *Who Pays State and Local Taxes?* Cambridge, Mass.: Oelgeschlage, Gunn and Hain Publishers, 1980.

Phares, Donald. *State-Local Tax Equity*. Lexington, Mass.: D. C. Heath & Co., 1973.

Shannon, John and Frank Tippett. "An Analysis of State Personal Income Taxes and Property Tax Circuit Breakers." Washington, D.C.: Advisory Commission on Intergovernmental Relations, 1978.

School Finance Litigation

Alexander, Kern. "The Potential of Substantive Due Process for School Finance Litigation," *Journal of Education Finance*, vol. 6, no. 4, Spring 1981.

Anderson, W. R. "School Finance Litigation: The Styles of Judicial Intervention," *Washington Law Review*, vol. 55, December 1979.

Anderson, W. R. "Financing Public Education on an Equitable Basis: State School Finance Litigation," *The Urban Lawyer*, vol. 14, Summer 1982.

Belsches-Simmons, Grace, "School Finance Litigation," Chapter 4, *School Finance Reform in the States: 1983*. Denver, Colo.: Education Commission of the States, January 1983.

*Lawyers' Committee for Civil Rights Under Law. *Update of State-Wide School Finance Cases.* Washington, D.C.: Lawyers' Committee for Civil Rights Under Law, June 1982.

Levin, Betsy. *State School Finance Reform: Court Mandate or Legislative Action?* Washington, D.C.: National Conference of State Legislatures, July 1977.

Levin, Betsy. "Trends in School Finance Litigation," *School Finance Reform in the States, 1979.* Denver, Colo.: Education Commission of the States, July 1979.

Tax and Expenditure Referenda

Advisory Commission on Intergovernmental Relations (ACIR). *State Limitations on Local Taxes and Expenditures,* A-64. Washington, D.C.: U.S. Government Printing Office, 1977.

*Bradbury, Katherine and Helen Ladd. *Proposition 2-1/2: Initial Impacts,* Project Report No. 82-A12. Stanford, Calif.: Institute for Research on Educational Finance and Governance, Stanford University, June 1982.

Brennan, Geoffrey and James Buchanan. "The Logic of Tax Limits: Alternative Constitutional Constraints of Power to Tax," *National Tax Journal,* vol. 32, no. 2 supplement, June 1979.

Courant, Paul, Edward Gramlich and Daniel Rubenfeld. "Why Voters Support Tax Limitation Amendments: The Michigan Case," *National Tax Journal,* vol. 33, no. 1, March 1980.

Ellickson, Phyllis, *The Fiscal Limitation Movement: Present Context and Outlook,* Rand Report N-1160-FF. Santa Monica, Calif.: The Rand Corporation, May 1979.

Ladd, Helen F. "An Economic Evaluation of State Limitations on Local Taxing and Spending Powers," *National Tax Journal,* vol. 39, no. 1, 1978.

Ladd, Helen and Julie Wilson. "Education and Tax Limitations: Evidence From Massachusetts," Paper presented at the Fourth Annual Research Conference, Association for Public Policy Analysis and Management, October 1982.

Laffer, A. B. and J. P. Seymour, eds. *The Economics of the Tax Revolt.* New York: Harcourt Brace Jovanovich, 1979.

Lipson, Albert and Marvin Lavin. *Political and Legal Responses to Proposition 13 in California,* Rand Report R-2483-DOJ. Santa Monica, Calif.: The Rand Corporation, 1979.

*Palaich, Robert, James Kloss and Mary Williams. *Tax and Expenditure Limitation Referenda.* Denver, Colo.: Education Commission of the States, May 1980.

Pascal, Anthony et al. *Fiscal Containment of State and Local Government,* Rand Report R-2494-FFIRC. Santa Monica, Calif.: The Rand Corporation, 1979.

Puryear, David and John P. Ross. "Tax and Expenditure Limitations: The Fiscal Context.," *National Tax Journal,* vol. 32, no. 2 supplement, June 1979.

Shapiro, Perry et al. "Tax and Expenditure Limitations in Retrospect," *National Tax Journal,* vol. 32, no. 2 supplement, June 1979.

*Williams, Mary. "Earthquakes or Tremors: Tax and Expenditure Limitation Referenda and School Finance," *The Changing Politics of School Finance,* eds. Nelda Cambron-McCabe and Allan Odden. Cambridge, Mass.: Ballinger Publishing Co., 1982.

Tuition Tax Credits

American Association of School Administrators. *The Effect of Tuition Tax Credits on Urban Schools.* Arlington, Va.: American Association of School Administrators, August 1982.

American Enterprise Institute for Public Policy Research. "Tuition Tax Credits and Alternatives." Washington, D.C.: American Enterprise Institute, January 1978.

Augenblick, John. "Tuition Tax Credits," *Issuegram* no. 19, Denver, Colo.: Education Commission of the States, January 1983.

*Augenblick, John and C. Kent McGuire. *Tuition Tax Credits: Their Impact on the States,* Denver, Colo.: Education Commission of the States, October 1982.

Congressional Budget Office (CBO). "Tuition Tax Credits: Who Would Benefit and How Much Would They Receive?" *Budget Issue Memorandum No. 6.* Washington, D.C.: Human Resources and Community Development Division, CBO, 1982.

Gaffney, Edward McGlynn, Jr., ed. *Private Schools and the Public Good: Policy Alternatives for the Eighties.* Notre Dame, Ind.: University of Notre Dame Press, 1981.

*Institute for Research on Educational Finance and Governance (IFG). "Choice in Education: Are Tuition Tax Credits the Answer?" *IFG Policy Notes,* vol. 3, no. 1, Winter 1982.

Jacobs, Martha J. "Tuition Tax Credits for Elementary and Secondary Education," *Journal of Education Finance,* vol. 5, no. 3, Winter 1980.

McNulty, John K. "Tax Policy and Tuition Credit Legislation: Federal Income Tax Allowances for Personal Costs of Higher Education," *California Law Review,* vol. 61, no. 1, January 1973.